



USAID
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USAID'S BUSINESS ENABLING PROJECT

QUARTERLY REPORT: THIRD QUARTER 2012

October 8, 2012

This report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of Cardno Emerging Markets USA, Ltd. and do not necessarily reflect the views of USAID or the United States Government.

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Submitted by:

Cardno Emerging Markets USA, Ltd.

Submitted to:

USAID Serbia

Contract No.:

169-C-00-11-00001-0

TABLE OF CONTENTS

1. PROJECT OVERVIEW	1
2. HIGHLIGHTS DURING THE REPORTING PERIOD.....	1
3. REVIEW OF PROJECT PROGRESS	2
ADMINISTRATIVE AND GENERAL ACTIVITIES	3
COMPONENT 1	3
COMPONENT 2	9
COMPONENT 3	12
OUTREACH.....	12
GRANTS.....	13
4. ACTIVITIES PLANNED FOR NEXT QUARTER	20
ATTACHMENT 1: BEP WORK ORGANIZATION	22
ATTACHMENT 2: LIST OF MEDIA PUBLICATIONS	23
ATTACHMENT 3: PROGRESS VERSUS WORKPLAN	28
ATTACHMENT 4: PROGRESS VERSUS PERFORMANCE MONITORING PLAN.....	56

1. PROJECT OVERVIEW

USAID's Business Enabling Project, implemented by Cardno Emerging Markets USA, is a five-year initiative launched in January 2011. The purpose of the Project is to help the Government of Serbia (GoS) improve the competitiveness of the Serbian economy and its private sector businesses. The Project provides technical assistance, training, and other support to improve the business enabling environment, maintain macroeconomic stability, and further develop financial markets. The Project is demand driven: all activities are based on the priorities of the private sector and GoS.

The Business Enabling Project consists of three major components:

- **Component 1, Business Regulation and Economic Governance**, will streamline laws, regulations, and institutions; improve regulators' capacity to implement laws; and improve analysis and public-private dialogue.
- **Component 2, Macroeconomic Policy and Public Financial Management**, will help the Government implement new budget and fiscal responsibility laws, improve budgeting, increase public disclosure and transparency, strengthen public debt management, and improve economic analysis and forecasting.
- **Component 3, Financial Market Development**, will improve regulatory frameworks for non-bank institutions, develop capacity to strengthen and expand capital markets, and improve conditions for debt market development.

The project's approach to achieving reforms is to help the GoS work closely with the private sector and outside experts to make reforms that improve business competitiveness. The reforms will reduce the time and money spent by Serbian businesses to comply with laws and regulations and will help the GoS to be more efficient. The reforms will also enable businesses to attract necessary investment at an appropriate cost. As result, Serbian businesses will have a better chance to be competitive in the global economy, leading to export-led economic growth and increased employment.

The Project's Second Year Work Plan was approved by USAID on March 27, 2012.

GoS Partners

BEP entered into Joint Work Plans with the following GoS institutions:

- General Secretariat of the Government
- Ministry of Agriculture, Trade, Forestry and Water Management
- Ministry of Environment, Mining and Spatial Planning
- Ministry of Finance
- Ministry of Justice
- Office for Regulatory Reform and Regulatory Impact Assessment
- Securities Commission
- Fiscal Council (independent body)

2. HIGHLIGHTS DURING THE REPORTING PERIOD

This report covers the sixth quarter of BEP's operation – July 1 to September 30, 2012. Noteworthy activities during the period were:

- As a result of BEP's study and intensive outreach campaign, the Parliament of Serbia adopted a set of amendments to several laws, eliminating 138 para-fiscal charges. This legislation not only eliminates an unprecedented number of para-fiscal charges, it ensures that new charges cannot be introduced without the approval of the Ministry of Finance and Economy. Additionally, the package of laws adopted ensures that all revenues of independent agencies will be accounted for in the treasury system, and that all charges not designated for abolishment may no longer be collected after March 1, 2013 if the Ministry of Finance does not approve the way they are assessed.
- BEP's study and outreach on construction permits led to high-level GoS support for improvements to the efficiency of construction permitting. During the study release event, Velimir Ilić, the Minister of Construction and Urban Planning, announced that the Ministry would amend the Law on Construction and Spatial Planning and simplify construction permit issuance, in line with recommendations from BEP's Study. The existing construction permitting

procedures and practice are complicated and slow, which consequently confuses and discourages investors, stalls economic development and prevents the creation of the new jobs. Implementation of the regulatory, institutional and administrative reforms proposed in the

- BEP developed a Strategy on Inspections with the Inspections Reform Leadership Group and heads of inspectorates, and developed a draft Law on Inspections based on input from the heads of inspectorates. The Strategy and draft Law would move inspections toward preventive work, risk-based control, appropriate databases, combatting informal economy, planning and coordination of inspection visits, examinations and professional development for inspectors, and proper enforcement of inspection resolutions
- BEP helped the Fiscal Council prepare its Assessment of the Proposed Revised Budget for 2012 and Assessment of Proposed Laws with Fiscal Impacts, which outlines the risks and shortcomings of the latest budget proposal to curb spending and fix the state of public finance. The Assessments generated significant press coverage and debate and it is clear that the Assessments will shape the course of GoS actions in the coming months.
- The new Government of Serbia has adopted many of BEP's recommendations for business environment and economic policy reforms. In his keynote address on the program of the new Government to the National Assembly of the Republic of Serbia, Prime Minister Ivica Dacic stated that "we need to realize savings on bureaucratic and unnecessary costs to be able to invest more in development." Mr. Dacic announced the adoption of an action plan for reducing the budget deficit by the end of September, after consultations with businesses, trade unions and experts. Mr. Dacic also announced radical measures to streamline bureaucracy and administrative burdens. BEP has worked for more than a year with its business, Government, media, and civil sector partners to raise awareness of the decision makers and general public on the importance of these issues. This work was first reflected in the content of the elections campaign and now is part of the Government's program.
- BEP is working with the National Bank of Serbia (NBS) on improving collateral valuation, a key problem in financing businesses in Serbia. One issue is that Serbia lacks professional standards for appraisers, resulting in collateral valuations that banks don't have confidence in, causing them to tend to undervalue collateral. BEP and the NBS are working together to improve valuation practices and develop an appraisers profession with proper training, standards and oversight. BEP's international expert examined current practices and identified weaknesses, inconsistencies in quality and presentation, and potential abuses and lack of competition in appraisal services in Serbia. The expert developed solutions and a roadmap for implementing them. This will lead to a new legislative and regulatory framework for testing, licensing and monitoring appraisers in line with the international best practices, expected to be announced by the NBS at the beginning of the 2013.

3. REVIEW OF PROJECT PROGRESS

BEP is accomplishing all aspects of its Work Plan. The project is accomplishing all of its activities and PMP indicators are being met.

BEP is now in an intensive phase of assistance to the GoS, which reflects the project's success in driving the GoS agenda in business environment and economic policy reforms. The GoS has requested BEP assistance in nearly all Task areas of the project. The GoS seems to have a sense of urgency and in most areas there are plans to accomplish the reforms. In the case of legislative reforms, the plans include deadlines and persons responsible; many of the working groups have already been drafting amendments to laws and bylaws. In the case of institutional reforms, the GoS plans are for the most part much vaguer.

BEP has already achieved some significant results. 138 para-fiscal charges were eliminated as a direct result of BEP's work. A Law on Factoring was drafted and is awaiting National Assembly approval. The GoS has committed to implement construction permits reforms, labor law reform, program budgeting, and improved SME access to finance.

BEP is well-placed to accomplish all of the reforms it has begun. In all cases BEP developed a road map for reforms that reflects research, analysis and consultation with the business community and government. BEP has convened groups of interested stakeholders – from both the private sector and within the GoS – to advocate for reforms and help implement them. For example, BEP has assembled groups of public and private sector leaders to push for inspections and labor law reforms.

Administrative and General Activities

BEP's Contract Modification was approved. The contractor, Cardno Emerging Markets, and BEP's COR were able to develop a Contract Modification that reduced the project budget by almost \$1.2 million, while increasing Level of Effort. This was accomplished by increasing the ratio of Serbian to foreign experts used by the project, reflecting the project's success in leveraging the work of Serbian experts and grantees.

BEP prepared and delivered briefing materials for ministers. These two to four page briefers describe for our GoS partners the current situation, previous BEP efforts, and BEP plans for each of our Task areas.

BEP Second Business Survey Completed. The BEP second annual survey of businesses was developed and is now being conducted by BEP grantee CeSID. The BEP team worked with CeSID to develop the questionnaire and instructions. CeSID surveyed 1,020 firms throughout Serbia. The results will be conveyed to BEP by October 8.

USAID's Financial Review of BEP was conducted from September 6 to 11 2012.

Component 1

During separate meetings with the leaders of the Confederation of Autonomous Trade Unions of Serbia (CATUS) and the Independence Trade Union, USAID's BEP and CATUS agreed on areas of cooperation in legal and regulatory reform. USAID's BEP presented its activities and recommendations in the three components of the project, and the CATUS leadership expressed interest in several joint activities. USAID's BEP and CATUS will work together on inspections reform, with CATUS joining the Inspections Leadership Group. The project and CATUS will also cooperate on reform of the labor law and regulations so that there is less red tape and expense in employing workers. CATUS member the Construction Workers Union of Serbia will work with USAID's BEP on construction permits reform. Adding trade unions to the pro-reform coalitions of government and business representatives that the project has assembled will put further pressure on the Government to quickly enact the reforms.

Under **Objective 1, Task 1, "Improve Inspections Operations and Organization,"** BEP developed a Strategy on Inspections with the Inspections Reform Leadership Group and heads of inspectorates and developed a draft Law on Inspections based on input from the heads of inspectorates. BEP undertook these activities during the election/post-election period to continue the momentum for inspections reform as that resulted from BEP's outreach and advocacy activities the last half of 2011 and first quarter of 2012.

On July 17 and 18, 2012, BEP organized a two-day intensive working retreat in Vršac, with 15 senior representatives of key Republic inspectorates and relevant Ministries, together with BEP's experts to discuss the strategy for inspections reform and the future Law on Inspections. This was the result of two previous meetings facilitated by BEP, as well as the project's inspections roundtables and analysis. BEP prepared, coordinated and facilitated this two-day session, providing the participants with relevant research and analysis, including a proposed outline for a Law on Inspections. Important progress was made in defining the direction of reforms on issues such as preventive work of inspections, risk-based control, relevant databases, combatting informal economy, planning inspection visits, coordination of inspections, inspection actions based on complaints received, examinations for inspectors, enforcement of inspection resolutions, and supervision of the implementation of the Law.

BEP then finalized the draft Strategy for Inspections Reform and developed a Draft Law on Inspections. The Draft Law was developed by BEP staff and consultants in accordance with best

international practice, and in line with the guidelines defined by the Inspections Reform Leadership Group. The Draft Law on Inspections encompasses the main concepts on inspectors; inspection oversight; inspection procedure; enforcement of inspection decisions; sampling and testing; monitoring the implementation of this law; and penalty provisions. It makes a risk-based system of inspection oversight mandatory; provides for preventive inspections; ensures better coordination of inspections to reduce administrative burden on businesses; and empowers inspections to deal with the informal economy. The enactment and implementation of the reformed legal framework for inspection oversight will be an important step in leveling the playing field that is currently distorted by the huge financial and administrative burden on legitimate businesses and the fierce competition they face from the informal sector. The finalized version of the Draft Law will be presented to the new Government in order to serve as a tool for institutionalization of inspections practices that are both business-friendly and efficient.

Under Objective 1, Task 2, “Remove or Reduce Quasi Fiscal Burdens to Businesses”, BEP assumed a leading role in streamlining para-fiscal charges as requested by the Ministry of Finance and Economy (MFE). As part of this effort, BEP delivered regulatory proposals for reducing para-fiscal burdens and, based on these, worked with the MFE to finalize draft amendments to legislation aimed at reducing para-fiscal charges. As a result of BEP’s study and intensive outreach campaign, the Parliament of Serbia adopted a set of amendments to several laws, eliminating 138 para-fiscal charges. This legislation not only eliminates an unprecedented number of para-fiscal charges, it ensures that new charges cannot be introduced without the approval of the MFE. Additionally, the package of laws adopted ensures that all revenues of independent agencies will be accounted for in the treasury system, and that all charges not designated for abolishment may no longer be collected after March 1, 2013 if the MFE does not approve the way they are assessed.

After completing the Study on Para-Fiscal Charges, BEP and NALED intensively publicized the study through the media, social media, and an “Ask When” advertisement on RTS. The elimination of para-fiscal charges became a major issue in the recent political campaign.

In April 2012, BEP released a study carried out with the National Alliance for Local Economic Development (NALED) that identified 370 fees and charges that provide businesses and citizens with little or nothing in return. These fees and charges amount to more than two percent of Serbia’s GDP. USAID’s BEP intensively publicized this analysis (including through the most recent “Ask When” advertisement on RTS), and built broad consensus through intensive advocacy and public-private dialogue. The study and outreach led to the Government eliminating 138 para-fiscal charges.

As a result of this publicity, the newly-elected Government of Serbia formed a Working Group to remove para-fiscal charges and appointed BEP’s team leader as a member of the Group. BEP’s study was the basis of the Working Group’s work. BEP coordinated one of three sub-groups charged with preparing proposals for streamlining para-fiscal charges related to business registries, chemical industry, commercial aviation, medical industry and pharmaceuticals. BEP completed a detailed analysis of ten out of the twelve laws and related sub-regulations governing various para-fiscal charges. BEP analyzed para fiscal charges contained in laws governing planning and construction, energy, emergency situations, sanitation oversight, health care, inland navigation, public roads, mandatory traffic insurance, road transport, and international road transport; by laws and general legal documents enacted on the basis of these laws. BEP analyzed and developed regulatory proposals for streamlining para-fiscal charges covered by the remaining two laws and ancillary regulations governing state survey and cadaster and road safety.

BEP’s technical assistance, outreach, and advocacy resulted in amendments to several laws, including the Law on the Budget System and the Law on National-Level Administrative Fees. These draft laws abolish a number of para-fiscal charges and pave the way for the streamlining of many more. Some of the most important reforms include:

- amounts of fees have to be set by a law or bylaw cleared by the MFE, or by a local finance department in case of local fees;
- fees must be expressed in absolute amounts, and not as percentages of a variable category;
- amounts of fees must be commensurate with the costs of rendering the service in question; -

- no fee can be charged if an administrative action is requested by another public body;
- only one fee can be charged for one service;
- amounts of charges for the usage of goods of general interest must be governed by a law proposed by the MFE.
- furthermore, a number of national-level administrative fees are to be abolished, including the fee for information on classification of legal entities by activity and assigning identification number,
- fee for information on changes to the activity of a legal entity, as these tasks are already performed by the Serbian Agency for Business Registers.

The MFE estimates that this elimination of para-fiscal charges will produce savings to businesses of some RSD 10 billion per year. This reform will provide more certainty for businesses about their fiscal obligations and should enable them to reallocate funds previously used for paying para-fiscal charges to new investment and job creation.

The MFE has announced that more para-fiscal charges will be eliminated by the end of the year, and the Ministry has asked for further assistance from BEP. BEP is undertaking other continuing activities related to para-fiscal charges.

NALED, supported by USAID's Business Enabling Project (BEP) via a grant, produced the **second television clip** for the campaign "Ask When." This TV clip (http://www.youtube.com/watch?v=5tZued6_gVc0) focuses on para-fiscal charges. Broadcasting started on August 31, 2012. This campaign will further promote the joint work of BEP and the MFE to reduce the number of para-fiscal charges that burden Serbian businesses. The first "Ask When" video clip on unnecessary regulatory burdens (<http://www.youtube.com/watch?v=Xofc5LDRm7Y>) has been broadcasted regularly on RTS, has had more than 10,000 views on YouTube, and generated an active discussion on the campaign's Facebook Fan Page.

BEP and the Economics Institute organized a roundtable on "Invigorating Construction and Real Estate Sectors by Streamlining Para-Fiscal Charges," on September 26. The roundtable launched dialogue on the complex issue of removing para-fiscal charges in the construction industry. The roundtable, through debate on para-fiscal levies using construction permitting as an example, highlighted the key problems and offered alternative solutions for overcoming them, in order to simplify and accelerate the process of construction permitting and lower the cost to investors. Susan Kutor, EGO Director of USAID Serbia and Mladjan Dinkic, Minister of Finance and Economy, provided introductory remarks, which were followed by intensive panel discussion. The participants discussed the announcement of the Ministry of Construction and Urban Planning that the land usage charge will cease to be a precondition for obtaining construction permits and will be payable only at a later stage in the process; the questions regarding the amount and obligation of paying this charge need to be analyzed more thoroughly, taking into account the needs, costs and capacity of local self-government. The event drew substantial media attention, with over 20 national and local media reports.

Under **Objective 1, Task 3, "Assist Implementation of the Law on Enforcement,"** BEP is assisting the Ministry of Justice and State Administration (MoJSA) to fine-tune the Law on Enforcement and Security. The regulatory changes are to encompass only a very limited number of amendments aimed at correcting court procedures and removing obstacles already encountered in practice (amendments would enable delaying the case based on creditor requests, etc.). BEP's DCOP is assisting the Working Group to draft amendments to the law by October 15.

BEP received a request from the Chamber of Enforcement Officers to train enforcement officers. BEP has agreed to work with the Chamber to develop a training curriculum and support PEO training. This will bridge the gap in donor assistance until the start of the new EU IPA Project (April 2013). USAID's BEP will attempt to obtain some assistance from GIZ to help implement the law.

Under **Objective 1, Task 4, "Streamline Construction Permitting,"** BEP developed detailed recommendations for more efficient construction permitting, and the GoS has pledged to implement them. BEP is also starting an initiative to streamline construction permitting using information

technology.

One of the biggest constraints to businesses in Serbia is the slow and expensive process to obtain construction permits. USAID's BEP developed an "Assessment of Constraints to the Construction Permits in Serbia" that identifies the problems in the process, including complex legal requirements and numerous licensing procedures before various public enterprises. USAID's BEP is currently preparing detailed process mapping of each segment of the construction permitting process along with specific recommendations for improvement of processes, procedures, legislation, and institutions. The Assessment and implementation roadmap were presented at the National Conference on Construction Permitting Reform that BEP organized on September 24. The conference was organized as part of a media outreach campaign entitled *Konstruktivno* ("Constructive)," in which BEP is



promoting specific reforms in construction permitting. During the conference, Velimir Ilić, the Minister of Construction and Urban Planning, announced that the Ministry would amend the Law on Construction and Spatial Planning and simplify construction permit issuance, in line with recommendations from BEP's Study. The goal of this reform is to attract new investments. Susan Fritz, USAID Mission Director, and BEP's consultants provided an introduction and overview of USAID's BEP's Assessment of Constraints to Construction Permitting in Serbia, which includes a set of clear

recommendations on how to overcome legal, administrative and institutional obstacles. The representatives of the Ministry of Construction and Urban Planning agreed with some of the main reform steps - creating a one-stop-shop system for construction permitting, and streamlining requirements for investors to obtain approvals from public enterprises. The participants from the public sector, construction industry and property developers, international donor organizations, and business associations commented that the existing construction permitting procedures and practice are complicated and slow, which consequently confuses and discourages investors, stalls economic development and prevents the creation of the new jobs. Implementation of the regulatory, institutional and administrative reforms proposed in the BEP's Study should turn the current situation around and result in cheaper and faster procedures, foster investment, and improve Serbia's score in international ease of doing business rankings. Streamlining construction permitting would significantly increase the flow of new investments, GDP growth, Government revenues, and employment. The event drew substantial media attention with more than 60 positive media reports, including the RTS prime news broadcasts.

BEP began research on IT solutions that Serbia and other countries have implemented or are currently implementing to help streamline construction permitting. This included a meeting with the IT department of the Ministry of Natural Resources, Mining and Spatial Planning to investigate whether the Ministry's current document management system (DMS) can be used to improve the lengthy process of issuing construction permits. BEP met with the Director of the Agency for IT and Communications of the Municipality of Indjija to investigate whether Indjija's arrangement can be used as a document management system to streamline the construction permitting process. The system is custom built, making familiarization with the program code time consuming; this means that the system's widespread usage would not be manageable. BEP learned that securing commitment of the Republic Geodetic Authority (RGA) for any automation of the construction permitting process is a critical success factor – in particular, allowing local RGA branches to share information with the local authority. This would lead to more efficient and cost-effective procedures. The RGA does not currently share any of its information with other state bodies unless they pay high fees for information gathering. BEP is considering the possibilities and extent of its support in developing the appropriate IT solutions that would streamline the construction permitting.

Under **Objective 1, Task 5, "Reduce the Employing Workers Burden,"** BEP facilitated business associations' Advocacy Strategy on Labor Policy Reforms and started building a consensus with trade

unions on labor law and other legal and regulatory reforms to increase employment. BEP's draft Study "Policies to Increase Employment and Workforce Competitiveness" was completed and presented to stakeholders for vetting.

USAID's BEP organized the third and fourth meetings of the business associations' Labor Policy Reform Group that includes representatives of all major business associations in Serbia (the Employers' Association, the Serbian Association of Managers, the National Alliance for Local Economic Development, the American Chamber of Commerce in Serbia and the Serbian Chamber of Commerce and Industry). BEP's facilitation has led to an agreement between business associations on a common list of short-term and long term priorities for the labor law reform. The business associations' advocacy, with assistance from BEP, should lead to a legal framework that enables job creation. Short-term priorities include:

- cutting the red tape involved in employing staff;
- changing severance payments to reflect only work done with the last employer;
- narrowing the application of general and sectoral collective agreements to signatory parties;
- setting clear rules regarding staff leasing.

The project also began discussions with trade unions on labor policy and regulatory reform priorities in individual meetings with trade union confederation leaders. Based on meetings with trade union leaders Ljubisav Orbovic and Branislav Canak, it appears that the trade unions are willing to agree to these reforms.

The business associations also agreed on some medium-term priorities, including extension of fixed-term labor contracts from one to three years, that may be more difficult for trade unions to accept. The associations also agreed on several longer-term priorities, including: better regulation of overtime, night work and shift work; reduction of the fiscal burden on wages (taxes and mandatory social contributions); better regulation of collective bargaining; combatting the informal labor market, and reform of labor inspections. The Labor Policy Reform Group considered the possible means and timeframe of implementing of labor reform measures and an implementation plan for the outreach campaign on labor reform, titled "Reducing the Burden of Employing Workers", which was presented at the fourth meeting.

The Draft Study "Policies to Increase Employment and Workforce Competitiveness" was completed and presented to stakeholders. The Study prepared by the Center for Liberal-Democratic Studies (CLDS) tackles the following areas: flexibility, labor market and economic outcomes; labor market trends; general labor regulations and business environment; major weaknesses in the regulatory environment and reform proposals, and new concept of labor policy. The draft of the Study was presented at an expert roundtable with stakeholders and academia that CLDS organized to discuss the study's main findings. Over 20 people took part in the presentation and discussion, including the representatives of the Serbian Chamber of Commerce, Foreign Investors Council, AmCham, Ministry of Labor and Social Policy, International Labor Organization, Law School, School of Economics, BEP and others. Roundtable participants spoke very favorably about the content of the study and focused their comments on positive and negative aspects of flexibility and security in the labor area and on the institutional framework for facilitating functioning of the labor market. This feedback will be used to improve content of the Study before it is officially released in mid- October.

BEP met with the Ministry of Labor Secretary Janicije Jeremic and Assistant Minister Rada Katic and reached agreement on a strategy to move forward Labor Law reform. They also agreed that BEP and the Ministry will co-organize a workshop with labor unions and business associations to attempt to achieve an agreement on labor policy reforms which should be undertaken in order to establish a framework for greater employment and new investment. The Ministry would then introduce draft amendments to the Labor Law. Subsequently the ILO agreed to join BEP and the Ministry as a co-organizer.

Objective 2, Task 1, "Improve Public Private Dialogue" activities included events on construction permitting and para-fiscal charges, and outreach activities to support dialogue in labor policy, and construction permits. BEP organized a conference on improvement of construction permitting

efficiency. This event gathered stakeholders in the field of construction, coming from the public sector, construction industry and land developers, international development institutions, and business associations. At the Conference, Construction and Urban Planning Minister Velimir Ilić announced that the Ministry of Construction and Urbanism will work on regulatory changes of the Law on Construction and Spatial Planning, and simplification of construction permit issuance procedures, in order to keep foreign investors in the country, and attract new investments.



USAID Mission Director Susan Fritz and USAID BEP's consultants introduced the Study dealing with constraints to construction permitting in Serbia, containing concrete recommendations on how to, on systematic level, overcome legal, administrative and institutional obstacles in providing a construction permit in Serbia. This should result in cheaper and more efficient procedures and practices. The representatives of the Ministry of Construction and Urbanism announced that the regulatory reform of the Law on Construction and Spatial Planning will envisage a one-stop-shop system for construction permitting, and will scrap the requirements for investors to obtain parameters from public enterprises if a facility they plan to build does not clash with the existing planning documents. The conference included a panel discussion with public and private sector representatives, which provided guidance on solving the construction permitting issues from different points of view. The general conclusion of the participants to the Conference is that the existing construction permitting procedures and practice are complicated and slow, which consequently confuses and discourages investors, stalls economic development and prevents creation of the new jobs. Implementation of the regulatory, institutional and administrative reforms proposed in the USAID BEP's Study should turn around current situation, and improve Serbia's ranks in international ease of doing business rankings.

BEP and the Economics Institute organized a roundtable on Lower Burdens for More Investment: Invigorating Construction and Real Estate Sectors by Streamlining Para-Fiscal Charges. The participants included Minister of Finance and Economy Dinkic, private sector representatives and municipality representatives and experts. The roundtable launched dialogue on the complex issue of removing para-fiscal charges in the construction industry. The roundtable, through debate on para-fiscal levies using construction permitting as an example, highlighted the key problems and offered alternative solutions for overcoming them, in order to simplify and accelerate the process of construction permitting and lower the cost to investors. The participants discussed the announcement of the Ministry of Construction and Urban Planning that the land usage charge will cease to be a precondition for obtaining construction permits and will be payable only at a later stage in the process; the questions regarding the amount and obligation of paying this charge need to be analyzed more thoroughly, taking into account the needs, costs and capacity of local self-government. The event drew substantial media attention, with over 20 national and local media reports.

Under **Objective 3, Task 1, "Improve Quality and Quantity of Legislative and Regulatory Reforms,"** BEP supported adoption of the GoS strategy for regulatory reform and helped cut red tape on pregnancy-related administrative procedures. BEP conducted a Standard Cost Model study measuring administrative burdens in Serbia in late 2011. This research revealed that employers have to collect 43 papers to enable their employees to use pregnancy leave and exercise their right to healthcare. This whole procedure results in administrative losses amounting to RSD 690 million. Subsequently, the National Alliance for Local Economic Development (NALED) under USAID's BEP's grant to develop a national-wide business enabling media campaign entitled "Ask When" prepared a video clip that picturesquely describes the troubles of a pregnant woman and her employer in dealing with massive bureaucratic requirements and procedures while trying to exercise her health insurance rights. The video clip was shown on RTS and results were quickly obtained: the Ministry of Health decided to alleviate regulatory and administrative burden in this regard and contacted NALED

and USAID's BEP for technical assistance. USAID's BEP's experts then prepared a set of draft amendments to the Rulebook governing the exercise of health insurance rights, in accordance with practitioners' inputs. These draft amendments provide for optimal administrative procedures for exercising pregnant women's health insurance rights. The amendments will be communicated to the Ministry of Health, as well as to the Republic Health Insurance Fund, before adoption. The Amendments are to be adopted by the Minister of Health during September 2012. Following up on this effort, USAID's BEP envisages reforming procedures related to maternity leave rights, which should additionally relax the regulatory and administrative burden imposed on the businesses (employers) and the public.

The Director of the Office for Regulatory Reform and Regulatory Impact Assessment (RRO) announced that the Government of Serbia (GoS) will soon adopt a new Strategy for Regulatory Reform and the Amendments to GoS Rules of Procedure. The model for this reformed law-making framework has been created with significant technical support from USAID BEP. This framework envisages, among other things, the requirement for the GoS and regulatory bodies to adhere to the principle of transparency in regulatory activities, and obliges them to announce bills and amendments to existing regulations at the beginning of each year in a timely fashion. This is supposed to make it possible for stakeholders and other interested parties to provide their inputs on drafts of regulations, which as a rule has not been the case to date. The amended law-making framework should contribute to mitigating the negative effects of the hyper-production of regulations ("regulatory tsunami"), and improve the business environment in Serbia.

Under **Objective 4, Task 1, "Build Interest and Capacities of Public and Private Partners to Engage in PPPs,"** BEP engaged an expert on value for money methodology to develop the methodology and train the Commission for Public Private Partnerships and experts on how to apply it.

Under **Objective 5, Task 1, "Support implementation of the new Company Law,"** BEP finalized training of commercial courts judges on the new Company Law. 13 judges and judges' assistants from the commercial courts of Belgrade, Sremska Mitrovica, Zrenjanin, and Požarevac received training on how to apply the new Company Law. The training was conducted by leading experts in the area of company law and corporate governance, engaged by USAID's BEP's grantee, the Balkan Center for Regulatory Reform. This was the third and final two-day training session to judges of commercial courts covering all parts of Serbia (a total of 30 judges and judges' assistants nationwide received training). Training included presentations, case studies, discussions, and exercises that guided judges on how to implement the most complex concepts of the Company Law and corporate governance. The new Company Law introduces modern legal features into Serbian legislation governing companies, which should enhance corporate governance, attract more investment, and foster economic efficiency.

BEP and the Serbian Chamber of Commerce and Industry finalized the Codex on Corporate Governance after obtaining stakeholders' input. The Assembly of the Serbian Chamber of Commerce and Industry then adopted the Codex. The Working Group for drafting the Codex on Corporate Governance, supported by BEP's experts and led by the Serbian Chamber of Commerce and Industry, finalized the Codex after receiving comments obtained through public debate, including comments from the European Confederation of Directors' Associations (ecoDa). The involvement of ecoDa was highly beneficial as the objective of this organization is to represent the views of company directors from EU member states to corporate governance policy-makers at EU level (often calling themselves as the "European voice of directors"). Prominent Serbian companies, public enterprises and associations, including NIS, Telekom, Telefonija, Fitofarmacija, Elektroprivreda Srbije, Beogradske elektrane, and Dunav osiguranje, provided timely and relevant comments. The new corporate governance framework should lead to advancement of good governance principles in Serbian companies and to more investments, improved access to finance, and improved economic efficiency. The Codex integrates best international and local practices in the areas of corporate governance and company law, in harmony with the reform-oriented provisions of the Serbian Company Law. Furthermore, the Codex takes a step forward and sets directions and guidelines for Serbian companies in introduction and implementation of modern corporate governance, risk management and business partnership solutions that are not subject to the law; this should notably improve the success of their

operations. The new Code introduces recommendations for corporate governance of state-owned companies, which should result in greater efficiency and fairer competition. The Serbian Chamber of Commerce and Industry will forward the Code to the Official Gazette of Serbia for publication, and will start disseminating it to the business community.

Component 2

BEP's activities under Objective 1, Task 1, "Capacity building assistance to the Fiscal Council and Improvements to fiscal responsibility," included playing a key role in the development of a new Fiscal Council report on the critical state of public sector finance. BEP provided advisory assistance to prepare the Fiscal Council's Assessment of the Proposed Revised Budget for 2012 and Assessment of Proposed Laws with Fiscal Impacts, which outlines the risks and shortcomings of the latest budget proposal to curb spending and fix the state of public finance. This report has been the topic of major press coverage and debate since it was released by the Fiscal Council in September and it will invariably shape the course of the government's actions in the coming months. With USAID's BEP's assistance the Fiscal Council was able to carry out extensive economic analysis and in-depth evaluation of proposed reforms in a very short time frame.

USAID Mission and BEP Discuss Assistance to Ministry of Finance and Economy (MoFE) with State Secretary

On September 6, USAID Mission Director Susan Fritz, Economic Growth Office Director Susan Kutor, and Project Manager Aleksandar Djureinovic, together with BEP's Chief of Party Joe Lowther and Economic Policy and Financial Markets Advisor Tony Sinclair, met MoFE State Secretary Vlado Senic - the new MOF State Secretary the MOF whose mandate includes the supervision of the Macro-Fiscal Department, Budget Department, and, to an extent, the Public Debt Agency. The Ministry is very appreciative of the assistance delivered so far by BEP and Mr. Senic firmly committed to further cooperation with the Project. This meeting cleared the way for more technical discussions between the Project and department heads, and ensured the Ministry's full focus on USAID-supported reforms in the area of public finance management.

Pursuant to Objective 1, Task 2, "Improvements to Fiscal Analysis and Strategy by the MoF," BEP helped develop a Joint Public Finance Management (PFM) Policy Briefing for the Incoming Government. The Policy Briefing document is the result of BEP collaboration with the World Bank and IMF. The IMF and BEP provided comments for the new version of the briefing to Lewis Hawke, World Bank's Senior Financial Management Specialist in Washington D.C. The plan was to deliver the Joint Policy Briefing to the incoming Government in early September, but the World Bank still has not provided BEP with the final version, nor do we know if it has been delivered to the GoS. The goal is to present the new Government of Serbia with a unified and consentient donor policy stand on reform imperatives that may become conditional for World Bank and IMF assistance. BEP's primary reform objective is to improve the budgetary process by linking it to the national priorities to ensure efficient and effective allocation of scarce resources.

Pursuant to Objective 1, Task 3 "Assistance to the GoS General Secretariat to improving budget coordination and performance management," BEP prepared a Functional Performance Diagnostic of the Ministry of Finance and Economy (MoFE) Macro Fiscal Department (MFD). BEP provided consultant Mr. Enrico D'Elia, Senior Economist in the Treasury of the Italian Ministry of Finance and Economy (MFE), to identify the organizational structure, staffing arrangements, and analytical capacity necessary for improved scope and quality of macroeconomic and fiscal analyses, and to outline technical specifications for any new modeling tools required for this enhanced analytical work. Mr. D'Elia met with the MFD and the Treasury at the Ministry of Finance, the National Bank of Serbia, the Fiscal Council, the Statistical Office, and the Foundation for Advancement of Economics (FREN), and identified an organizational structure, cooperation with related institutions, staffing arrangements, and analytical capacity necessary for improved scope and quality of macroeconomic and fiscal analyses. Mr. D'Elia's report also outlines technical specifications for any new modeling tools required for this enhanced analytical work. This is the first report ever to look into specific challenges of the MFD related to its expanded role in fiscal management and cooperation with the European Commission on economic and fiscal topics. This assistance continues the cooperation between the Serbian MoFE and Italian MFE established during the study tour to Italy organized by BEP last year.

Under **Objective 1, Task 4, “Assist the MoFE Budget Department to Develop Capacity for Improved Transparency and Program Budgeting,”** BEP continues to help the MoFE to develop and implement a plan to introduce program budgeting, improve the budget process, and increase transparency in GoS budgeting. The former Director of the MoFE Macro-Fiscal Department, Ljubica Matic is now Director of the MoFE Budget Department, and BEP has an excellent working relationship with her. During the quarter BEP met with Ms. Matic to discuss plans to implement program budgeting in 2013. BEP plans to provide technical assistance to develop more policy- and performance-oriented planning and budgeting, through the introduction of a program budget approach and performance measurement.

BEP also organized a seminar at the National Assembly on “Strengthening the Parliament’s Role in Budgetary Decision-Making and Planning.” The panelists and the audience explored the ways to strengthen the Parliament’s role in budgeting, by discussing 1) analytical capacities of the Parliament, 2) quality of budget process, and 3) transparency of the budget document. Vesna Kovac, Chairperson of the Committee on Finance, State Budget and Control of Public Spending, stressed the need to strengthen the budget analysis capacities of the Finance Committee, the MPs and the National Assembly’s Support Service. Professor Vladimir Vuckovic, member of the Fiscal Council, presented the role of this independent body in the budget process and the support it provides to the National Assembly. Vlado Senic, State Secretary at the Ministry of Finance and Economy (MFE), presented the Ministry’s plan to adhere to the budget calendar for 2013 budget, ensuring enough time for analysis and adequate debate at the National Assembly. Talking about increased transparency of the budget document, he announced that 1) this year the MFE will, for the first time ever, publish a Citizen’s Guide to the Budget with USAID’s BEP’s support, and 2) MFE will lead the implementation of program budgeting reform - also with BEP’s support. Professor Dusan Vujovic, BEP’s advisor, explained how program budgeting increases the efficiency and accountability of public spending and how it can be of service to the Parliament. Following these presentations, the MPs and panelists discussed additional steps for strengthening the ability of the MPs to better participate in budget creation and policymaking. The seminar was well-attended and received significant media coverage.

BEP has been working with USAID’s Judicial Reform and Government Accountability (JRGA) Project on complementary activities in the areas of 1) budget process improvements; 2) strengthening capacity of independent agencies, and 3) capacity-building for the Parliament. BEP and JRGA jointly met with the Secretary General of the National Assembly Jana Ljubcic, along with the Deputy Secretary Generals and staff. BEP presented its current and planned activities with the Ministry of Finance, the Fiscal Council, and the Parliament aiming to improve transparency and efficiency in use of budget resources, and to strengthen the capacity of legislators to effectively participate in budget discussion. JRGA will work on improving the capacity of the Assembly to react on the reports of the independent agencies (SAI, Anti –Corruption Agency, Ombudsman, Commissioner for Public Information, etc.). The two projects will further discuss cooperation as their plans for support to the Parliament develop in the coming months.

Under Objective 1, Task 5, “Improvements to Fiscal Policy, Strategy and Analysis” BEP Grantee BDO began work on strengthening regulation, management, and effectiveness of state aid in the economic sphere. BDO and BEP had a Kick-Off Meeting at Ministry of Finance (MoF) Department for State Aid Control (DSAC)/ BDO’s legal advisor consulted with the National Employment Service (NES) and drafted amendments to the regulations on state aid in the area of employment. The grantee is also providing other technical assistance to the DSAC to strengthen the control of state aid in line with EU and international practices, and it will also assess selected state aid programs in the economic sphere and recommend improvements to their management and effectiveness. The goal is to identify opportunities for public sector cost savings in the disbursement of state aid and promote economic growth and competitiveness of Serbia via effective management of state aid. Andrijana Curcic, DSAC head, expressed gratitude to USAID and USAID’s BEP for enabling this important work, expected to be completed by the end of 2012.

Under Objective 2, Task 1, “Improving conditions for public investment in and trading of government debt,” BEP is organizing a roundtable with the Economic Institute on “Government

Bonds from Investors' Perspective.” The roundtable, which is scheduled to take place in late November will bring to the table existing and potential investors in government securities to evaluate potential measures to deepen this market, develop the yield curve for longer term maturities, decrease risks relating to financing Serbia's budget deficit, and reduce crowding-out effects limiting financing of the real sector.

Under **Objective 2, Task 2, “Assistance to improve debt management systems, analysis and capacity,”** BEP and the PDA developed a plan for BEP's final year of assistance to the Public Debt Administration (PDA). During the planning meeting, PDA Director Branko Drcelec expressed his gratitude to USAID's BEP team for the assistance received to date in improving the debt management system and providing risk management trainings. Mr Drcelec outlined major goals for the coming period, which include the development of secondary-market trading in government securities, fully operational debt management system, improvements to public debt risk management capacity, and institutionalization of public debt management functions. BEP offered technical assistance in those areas, and followed up by sending PDA a plan of detailed activities. Overall improvement of the public debt management functions will lead to less risky and more cost-efficient financing of the government deficit, which will improve the macroeconomic and, especially, investment environment for businesses.

Component 3

Under **Objective 1, Task 1, “Assistance for the Implementation of the new Capital Market Law,”** BEP completed the Request for Applications for the development of the information system for the Securities Commission. The goal of this IT system is to establish an Official Registry of Information using electronic means that enables communication with the Central Securities Depository, market operator, regulated market, investment firms, management companies and investment funds and other capital market participants. The IT system will enable the Securities Commission to better facilitate the flow of information, manage its workload efficiently, gain timely access to relevant data, improve supervision of the market participants, more easily detect violations, and improve its overall performance. The Official Registry of Information and the electronic case management system are a step forward in implementation of the reformed regulatory framework.

USAID's Business Enabling Project's (BEP) Access to Finance Work Recognized by European Commission – The European Commission officially announced the roundtable on “SMEs Financing in Serbia” organized by USAID's BEP, the Institute of Economic Sciences, and the Serbian Chamber of Commerce on its Enterprise and Industry web page as part of European SME Week. Coordinated by the European Commission, the European SME Week campaign promotes enterprise across Europe in line with the Small Business Act for Europe. The roundtable, scheduled for October 10, is focused on presenting barriers in communication between SMEs and financial sectors, and offering solutions to bridge this gap.

Under **Objective 6, Task 1, “Improving the Enabling Environment for SME Access to Finance,”** BEP took a leading role in efforts to increase access to finance. This included collaboration with the Ministry of Finance and Economy, National Bank of Serbia, and other donor projects to reduce obstacles to suitable finance for SMEs.

BEP continued to help the Ministry of Finance and Economy to develop and enact the Factoring Law. The working group of the MFE and BEP prepared regulatory impact analyses to present the estimated effects of the law, and comments necessary for entering the adoption procedure. The analysis is a mandatory element in the process of adopting a new piece of regulation. The analysis of effects of the Factoring Law includes a baseline analysis; problems to be solved by the law, goals to be achieved by the law, previously reviewed possibilities to solve the problem without the adoption of the law, and the answer to the question of why the adoption of the law is the best way to solve the problem. The RIA shows that the new law relies on features of legislation and experiences of countries in the region and throughout the world, as well as those of experts in the field of factoring. Some of the solutions are the result of close consultations and focus groups, as well as of public debates. The analysis justifies the adoption of the Law by pointing out that there will be no additional budgetary costs, and that the Serbian economy will benefit from receiving the regulatory framework for an efficient tool in

fighting illiquidity and improving debt collection. The law, which BEP helped to draft and vet with stakeholders, should, among other things, facilitate growth of the factoring business and improve businesses' cash flows.

BEP helped the National Agency for Regional Development (NARR) and the former Ministry of Economy and Regional Development in preparing the Annual Report on SMEs, which analyzed key problems related to SME development. Every year NARR and the Ministry present an independent analysis of main issues burdening SMEs. This year, BEP was invited to provide an independent analysis of the business environment, both legal and administrative, and access to finance obstacles in Serbia.

The Department for Regional Development and Entrepreneurship of the Ministry of Finance and Economy requested BEP's suggestions on priority short term measures for improving access to finance for SMEs. BEP provided its opinion that four main points that the government should focus on include redesigning some state aid programs, establishing an SME observatory within the Ministry, establishing a comprehensive reform plan to carry out and coordinate the implementation of multiple recommendations that will be presented in BEP's White Paper, and establishing a Business Council or a an SMEs forum. BEP prepared and submitted these proposals to the MoE's State Secretary who presented them to Minister Dinkic.

BEP helped the European Union-Funded Integrated Innovation Support Program (IISP) improve its workshop on Investment Readiness Planning for SMEs in Serbia. The program is aimed at assisting a total of 100 SMEs in choosing the right model for their business and making their business attractive to investors, with an emphasis on practical, results-driven support rather than business theory. Aware that BEP has been conducting in-depth research on the regulatory and institutional framework related to access to finance and credit support services, IISP invited the project to provide views and recommendations for workshop improvement. BEP shared the results of the 2011 Business Survey, as well as information obtained at seven roundtables with SMEs organized throughout Serbia. BEP also contributed constructive suggestions on involving directors and financial experts of companies in the workshops.

BEP is working with the National Bank of Serbia (NBS) on improving collateral valuation. The appraisal of real estate and equipment pledged as collateral has been identified by borrowers, lenders, and regulators as a key problem in financing businesses in Serbia. One issue is that Serbia lacks professional standards for appraisers, resulting in collateral valuations that banks don't have confidence in, causing them to tend to undervalue collateral. BEP and the NBS are working together to improve valuation practices and develop an appraisers profession with proper training, standards and oversight. BEP's international expert examined current practices and identified weaknesses, inconsistencies in quality and presentation, and potential abuses and lack of competition in appraisal services in Serbia. BEP's expert met with bankers, the Serbian Valuers Association, the National Mortgage Insurance Corporation, the Republic Geodetic Authority and other stakeholders, in order to analyze the situation in Serbia and benchmark it against other countries and markets. The expert developed solutions and a roadmap for implementing them. This will lead to a new legislative and regulatory framework for testing, licensing and monitoring appraisers in line with the international best practices, expected to be announced by the NBS at the beginning of the 2013.

The NBS adopted a Decision repealing the Decision Requiring Lessors to Maintain Reserve Balances. This Decision is in line with USAID's BEP advocacy efforts and is included in Access to Finance White Paper. The requirement for leasing companies to hold reserve funds based on the size of their portfolios is not very common in Europe or globally and goes beyond the scope of regulation of leasing normally applied in other markets. This regulatory change will allow leasing companies in Serbia to be more competitive in the financial market, and increase access to finance for SMEs.

Outreach

During the quarter BEP generated 133 media reports, all with a positive or neutral tone. BEP's outreach activities during the quarter reached more than 6.4 million people.

BEP issued a Grant for an outreach campaign in three very important areas: Construction Permits, Labor Law and Access to Finance. The grantee, Represent Communications, delivered the communications platform “Konkretno”, consisting of three sub areas “Radno,” “Preduzimljivo” and “Konstruktivno”. This communication approach has an umbrella web site www.konkretno.rs and three respective subpages for each of the areas. BEP has increased its presence on Social Media by opening a second Twitter account (@konkretnoSrbija) and Facebook Fan Page <http://www.facebook.com/KonkretnoSrbija?ref=ts>. This campaign so far has attracted great media attention, which resulted in more than 60 positive media reports on Construction permits and the need to streamline this process. More importantly it got the attention of the GoS. Minister of Construction and Urbanism Ilic made a statement at the Construction Permit Assessment conference that the Ministry would follow BEP’s recommendations and revise the legislation and take other steps to streamline the process.

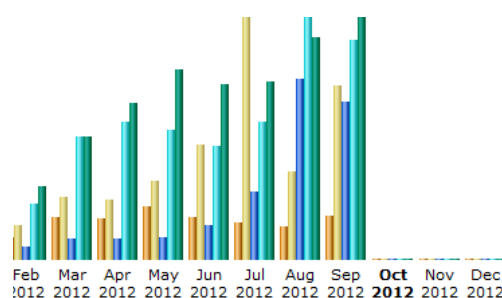


USAID BEP and NALED (National Alliance for Local Economic Development) partnered with National Broadcasting Service of Serbia (RTS) launching a national marketing campaign called “Ask When” with an aim to draw attention of the Government to the mayor problems in Serbian economy. The second TV clip for the campaign “Ask When” focuses on para-fiscal charges. It is broadcasted on RTS prime time. As a direct result of USAID’s activities and extensive outreach campaign, the Government of Serbia formed a Working Group to remove para-fiscal charges and appointed USAID’s BEP’s team leader as a member of the Group. The necessary legislation was drafted by the Working Group and was enacted on September 25. This legislation not only eliminates 138 para-fiscal charges, it ensures that new charges cannot be decreed without Ministry of Finance and Economy approval. Some of most important fees are not dealt with (land development charge), but USAID will continue engagement to identify sustainable options for its reform. This campaign will further promote the joint work of USAID’s BEP and the Ministry of Finance and Economy to reduce the number of para-fiscal charges that burden Serbian businesses.



The campaign Ask When developed its third television advertisement that will deal with the problem of construction permits. The second Ask When advertisement – the Para-fiscal Zone – was aired on

BEP's interactive website, www.policycafe.rs, provides a means for dissemination of research and analysis on issues related to BEP's three components, and allows users to provide input and feedback. Based on our web analytics, visits to the website have reached a steady and constant number of more than 3000 total visitors with more than 750 unique visitors every month (see chart below).



Unique visitors	Number of visits	Pages	Hits	Bandwidth
448	664	5,050	21,667	1.57 GB
404	607	2,978	13,544	1.01 GB
762	1,100	5,130	30,012	1.69 GB
739	1,052	5,182	33,642	2.16 GB
948	1,402	5,553	31,732	2.62 GB
747	2,045	8,248	27,593	2.41 GB
649	4,299	16,642	33,597	2.45 GB
580	1,558	44,138	59,040	3.06 GB
767	3,091	38,646	53,725	3.32 GB
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
6,044	15,818	131,567	304,552	20.29 GB

So far the policy café has more than one thousand different articles, publications, policy notes, useful links and information with content updated on regular basis, being a solid ground for further expansion of its popularity. We are using YouTube and Twitter to promote project outputs and policy café.

The BEP website, www.bep.rs, continued to have a large number of visitors, as shown by the adjacent chart. The BEP website contains information about the project, grant solicitations, media appearances, and partners. The BEP website (bep.rs) has continued to show an increase in number of visits with a steady average of 82 unique visits per day (September 2012).

Day	Number of visits	Pages	Hits	Bandwidth
01 Sep 2012	28	56	336	7.44 MB
02 Sep 2012	30	118	716	13.08 MB
03 Sep 2012	61	173	1,211	24.94 MB
04 Sep 2012	48	218	1,334	25.39 MB
05 Sep 2012	49	193	1,237	25.01 MB
06 Sep 2012	61	293	2,047	35.50 MB
07 Sep 2012	89	313	2,233	37.46 MB
08 Sep 2012	24	91	618	16.52 MB
09 Sep 2012	38	128	716	21.09 MB
10 Sep 2012	67	350	2,373	40.22 MB
11 Sep 2012	93	1,167	3,187	47.75 MB
12 Sep 2012	68	359	2,658	50.66 MB
13 Sep 2012	93	408	15,161	405.99 MB
14 Sep 2012	222	982	20,551	501.95 MB
15 Sep 2012	194	642	5,601	94.68 MB
16 Sep 2012	85	284	2,290	39.30 MB
17 Sep 2012	191	781	6,298	105.72 MB
18 Sep 2012	103	475	3,525	58.12 MB
19 Sep 2012	149	730	5,289	84.74 MB
20 Sep 2012	129	536	4,049	67.79 MB
21 Sep 2012	93	392	2,744	45.75 MB
22 Sep 2012	34	112	908	16.44 MB
23 Sep 2012	53	197	1,494	28.51 MB
24 Sep 2012	107	546	4,004	67.64 MB
25 Sep 2012	83	453	2,913	58.77 MB
26 Sep 2012	94	564	3,760	58.68 MB
27 Sep 2012	71	339	2,277	37.27 MB
28 Sep 2012	60	285	1,772	28.99 MB
29 Sep 2012	28	120	748	16.31 MB
30 Sep 2012	41	828	1,934	37.37 MB
Average	82	404	3,466	69.97 MB
Total	2,486	12,133	103,984	2.05 GB

Grants

USAID BEP's second **Annual Program Statement (APS-2012-01)** has generated interest from organizations to apply for grants. BEP deliberated eight Expressions of Interest (EoI) in response to APS-2012-01. The Grants Selection Committee (GSC) considered all EoIs and decided not to support them, because they were either not in line with USAID BEP's immediate priorities, or they represented duplication with BEP's current efforts in respective proposed areas of work.

Overall, BEP considered 13 proposals during the quarter, either in a form of EoIs or full grant proposals. During the reporting period four Grants Selection Committee meetings were held: on July 9 (follow-up meeting), August 1, August 14, and September 13, 2012. At those meetings all EoIs and full proposals were deliberated. Five proposals were contracted in the reporting period.

BEP published a Request for Applications (**RFA-2012-06**) for Internships in National Governmental Institutions in the Republic of Serbia on September 4, 2012. BEP intends to provide up to \$90,000 in total funding to a to be allocated over an one year period. The objective of the grant is to provide the Government of Serbia (GoS) with talented young professionals who will assist in regular daily work of selected sectors/departments; to support young Serbian university graduates in acquiring additional training and first hand practical experience in public administration; and to create a model for the GoS' future internship program. The closing date for submission of applications is October 4, 2012.

The total amount of awards to date is **\$756,647**. The Grant Status is attached as Attachment 5.

There are two projects that are in the pipeline, for Internships in National Governmental Institutions and in-kind grant award to Republic Geodetic Authority (RGA), totaling the committed funds of 160,000 USD.

Monitoring - Grantees have been regularly fulfilling the contracted milestones, and therefore 13 payments of grant installments were initiated in the reporting period. As part of regular monitoring activities, BEP's grants manager paid field visits to grantees, as follows:

- **Center for Liberal-Democratic Studies (CLDS)**

- On September 6, CLDS organized an expert roundtable with stakeholders and academia to discuss the main findings of draft Study within the ***“Policies to Increase Employment and Workforce Competitiveness”*** project. The purpose of the grant is to support the completion of an in-depth study of labor policies in Serbia in order to increase employment and competitiveness for maximizing economic growth. This will include analysis of the labor market in Serbia, benchmarking on labor-related legislation and policies, and review of existing academic and policy literature on the linkages between labor policies and economic outcomes. The study will encompass recommendations on improvements of labor policies and an action plan for the reforms in this area. The draft Study presented at the roundtable tackles following areas: Flexibility, labor market and economic outcomes; Labor market trends; General labor regulations and business environment; Major weaknesses in the regulatory environment and reform proposals, and New concept of labor policy. Around 25 people took part from the following institutions: Serbian Chamber of Commerce, Foreign Investors Council, AmCham, Ministry of Labor and Social Policy, Law School, School of Economics and USAID BEP, as well as Gordana Matkovic, associate professor at the Faculty of Economics, Finance and Administration (FEFA) and Director of Social Policy Studies at CLDS, and co-author of the Study. Speakers at the roundtable were authors of the Study, Bosko Mijatovic, PhD, economic researcher with thirty years of professional experience in economic research, Zoran Ivosevic, one of the leading Serbian labor law experts, professor at Union Faculty of Law and former Supreme Court judge, as well as Marko Paunovic as a moderator. Participants



CLDS, September 6, 2012

discussed the draft Study, and suggested that trade unions and employers' unions should also take part in the further discussion on the Labor Law changes. The grantee is respecting the contract obligations, both content- and time-wise and meeting the milestones. Once the Study is finalized and recommendations drafted, USAID BEP will organize a high level public event to present the findings of the analysis and recommendations for changes of Labor Law, through a grant with Represent Communications on USAID BEP's PR/Outreach campaign.

- **Foundation for the Advancement of Economics (FREN)** - On September 25, FREN presented to a group of representatives of the Government of Serbia, the research and the academic community a USAID BEP-funded research article "Reform of the System of Para-Fiscal Levies for the Improvement of Business Conditions in Serbia" with policy recommendations. USAID BEP's Chief of Party, Joe Lowther, addressed the audience at the Faculty of Economics in Belgrade, at the launch of the **Quarterly Monitor (QM)** No. 29, together with Prof. Milojko Arsic, editor-in-chief of QM, and FREN's researcher Sasa Randjelovic. Prof. Arsic presented the analysis and forecasts of microeconomic trends and policies, as well as budget 2012 revision and fiscal consolidation measures, while Mr. Randjelovic, presented the findings of the research article on reform of para-fiscal charges and recommendations of additional measures. Publication of the article is a part of the USAID's BEP grant "Quarterly Monitor: Institutional Challenges to Boosting Employment, Growth and Public Sector Efficiency in Serbia", aimed at providing the evidence-based analysis and raising public debate on relevant topics, which would enable reaching benefit maximizing policy decisions.

The grantee could not respect the provisions of the grant agreement in relation to achieving the milestones, therefore a Modification to the grant agreement was signed on September 12, 2012. The Modification envisages the change of milestone and payment schedule. The grantee is respecting the provisions of the Modification.

Presentation of QM 29, Belgrade,
September 25, 2012



"The QM's articles and the research and analysis behind them help guide policy decision that need to be made to move Serbia to a market economy with the ability to compete within the EU and globally," said Joe Lowther at the presentation.

- **Economics Institute** - A round table "Lower Levies for Greater investments", organized by the Economics Institute through the grant "Round tables - For better business conditions" shed light on the area of construction permits and real estate sector and problem solutions by streamlining para-fiscal charges. The grantee managed to gather high profile guests/speakers, like Mladjan Dinkic, Minister of Finance and Economy, Suzan Kutor, USAID Economic Growth Office Director, and a number of relevant stakeholders from the Ministry of Construction and Urban Planning, company owners and managers, City of Belgrade government, Standing Conference of Towns and Municipalities, World Bank, the Mayor of the Municipality of Paracin, consultants and researchers. The round tables highlighted key problems in obtaining construction permits,

through a debate on para-fiscal levies, and suggested solutions for overcoming them in order to simplify and accelerate the process of obtaining them and lower the costs borne by investors. The grantee is respecting the contract obligations, both content- and time-wise and meeting the milestones, and BEP is particularly satisfied with high professional standards the Economics Institute has set in implementing the grant activities.



Grant Agreement Modification:

USAID BEP approved and signed three no-cost modifications to the grant agreements with Foundation for the Advancement of Economics (FREN) and National Alliance for Local Economic Development (NALED). The changes included the following:

1. FREN - APS-2012-01-02 for “Quarterly Monitor: Institutional Challenges to Boosting Employment, Growth and Public Sector Efficiency in Serbia“

Changes: Grant milestones and payment schedule.

2. (NALED): APS-2012-01-1 Benchmarking 2016 – Comprehensive Monitoring of Doing Business Environment in the Republic of Serbia

Changes: Extension to the period of performance, change of grant milestones and payment schedule.

3. APS-2012-01-1 Ask When! - Advocacy Campaign for Improving of Doing Business Environment in the Republic of Serbia.

Changes: Extension to the period of performance.

The revisions were based on credible explanations provided by the grantees. All other terms and conditions of the agreements remained unchanged.

Financial Review

The following chart shows the billing to date through the end of September, 2012. This includes a projection for September 2012 based on the actual costs we have received from the field for the month of March.

	BILLING TO DATE	TOTAL BUDGET	REMAINING BUDGET	PERCENTAGE COMPLETE
Salaries and Wages	\$1,307,987.49	\$ 3,684,997.42	\$ 2,377,009.93	35.49%
Fringe Benefits	\$ 104,535.60	\$ 261,344.12	\$ 156,808.52	40.00%
Overhead	\$ 772,766.30	\$ 2,168,942.15	\$ 1,396,175.85	35.63%
Travel, Transportation, and Per Diem	\$ 106,563.11	\$ 521,752.74	\$ 415,189.63	20.42%
Allowances	\$ 291,806.87	\$ 664,749.34	\$ 372,942.48	43.90%
Other Direct Costs	\$ 723,232.31	\$ 2,417,168.84	\$ 1,693,936.53	29.92%
Equipment and Supplies	\$ 61,726.53	\$ 97,674.02	\$ 35,947.49	63.20%
Participant Training	\$ 23,927.52	\$ 64,634.18	\$ 40,706.66	37.02%
Subcontracts	\$ 512,863.67	\$ 1,596,493.07	\$ 1,083,629.40	32.12%
Grants Under Contract	\$ 416,349.36	\$ 1,866,993.94	\$ 1,450,644.58	22.3%
G&A	\$ 446,049.24	\$ 1,318,794.16	\$ 872,744.92	33.82%
TOTAL ESTIMATED COST	\$4,767,808.01	\$14,663,543.99	\$ 9,895,735.99	32.51%
Fixed Fee	\$ 243,470.37	\$815,860.42	\$ 572,389.54	29.84%
TOTAL ESTIMATED COST PLUS FIXED FEE	\$5,011,278.38	\$15,479,403.90	\$10,468,125.53	32.37%

Progress versus Workplan

BEP's progress versus the Work Plan is set forth in Attachment 3.

Progress versus PMP

BEP's progress versus the PMP is set forth in Attachment 4.

Challenges Encountered and Actions taken to Resolve them

No significant unexpected challenges were encountered during the quarter.

Observations Regarding Implementation

The Project's approach to conduct analysis, publicize the needs for reform, support business association advocacy, and provide technical assistance to the government is having excellent results. The new Government of Serbia has adopted many of BEP's recommendations and has asked BEP to

help implement the recommended reforms. BEP is known as the most reliable and trusted source for expertise, information, and analysis in the technical areas it is covering.

4. ACTIVITIES PLANNED FOR NEXT QUARTER

Noteworthy activities for the seventh quarter of the project, covering July 1 to September 30, 2012, will include:

Administrative and General Activities

- Training for GoS staff on Managing Implementation of Laws and Regulations.

Component 1

- Finalize the Model of the Law on Inspections, present it to stakeholders and adjust it in accordance with stakeholders' comments and present it to GoS
- Initiate development of the e-Inspections pilot software
- provide technical assistance for continuation of streamlining the para-fiscal charges
- provide technical assistance with restructuring land development charge, and other land-related charges
- Finalize concrete recommendations for improving the construction permitting process, discuss it with stakeholders and present it to the Government counterparts
- Provide technical assistance for implementation of the recommendations for improving the construction permitting process
- Complete of Study on Reform of State Agencies ("De-agencification")
- Develop the Inventory of Planning Documents
- Complete the Study on Labor Policy Reforms, organize public-private dialogue and outreach activities
- Completion of the working version of Value for Money methodology for Public Private Partnerships (PPPs)
- Launch of the PPP Commission web site
- Organize PPP outreach activities
- Support for adoption and implementation of the Regulatory Reform Strategy and changes to the GoS Rules of Procedure Support training of line ministries on Regulatory Impact Analysis
- Provide technical assistance related with implementation of the Law on Enforcement and Security
- Disseminate of the Codex of Corporate Governance.

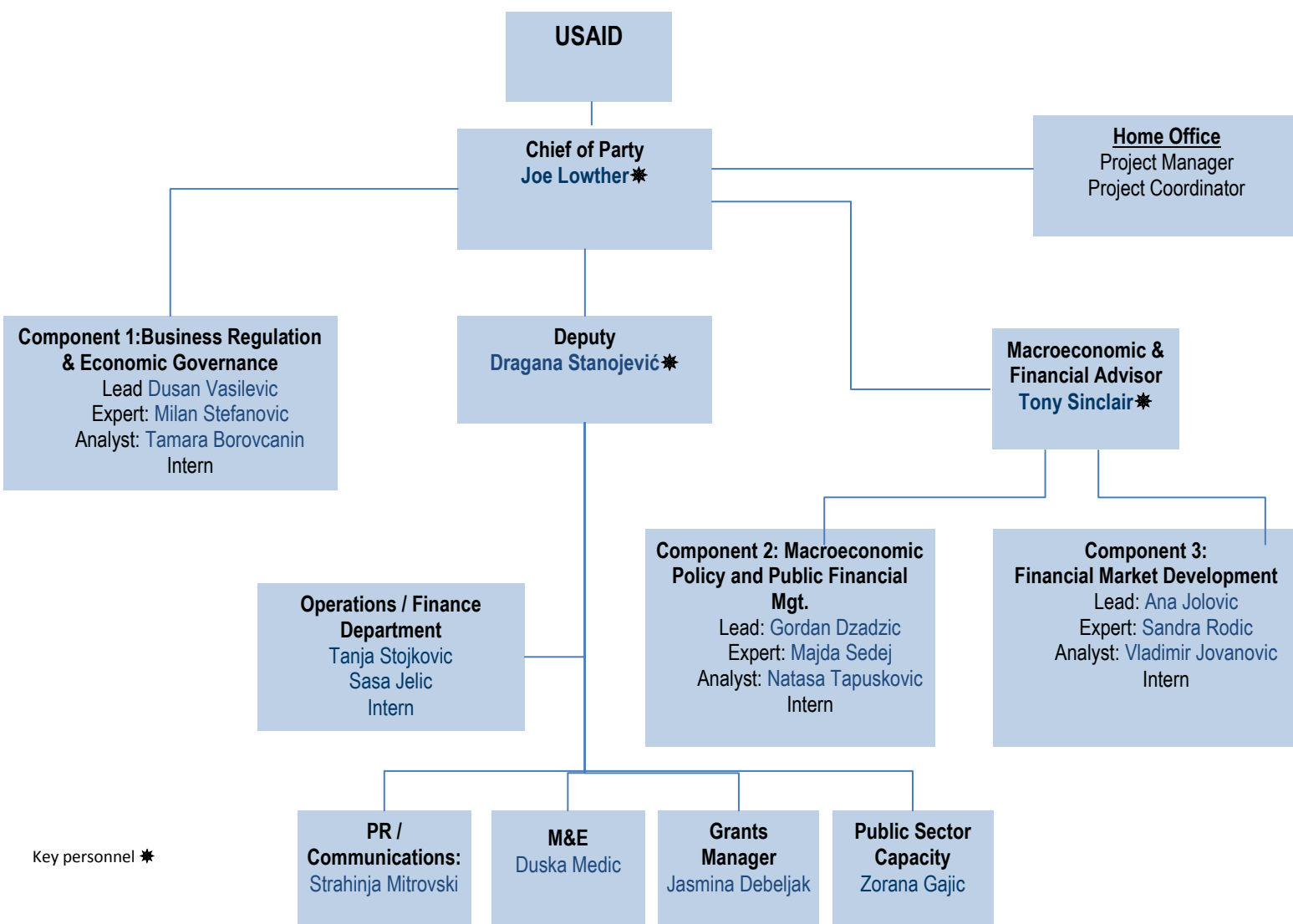
Component 2

- Finalize Organizational Diagnostic of Public Debt Administration
- Assist PDA with Procurement of Debt Management System Maintenance and Implementation of Automated Reporting
- Finalize National Savings Study under a grant
- Continue Work on Shadow Economy Study under a grant
- Continue Work on State Aid Programs under a grant
- Present Citizen's Guide to 2013 Budget publication
- Finalize action plan for program budget implementation in cooperation with the Budget Department
- Deliver two seminars/workshops on the revenue projections and analyses for the Macro-Fiscal Department
- Launch seminar series for Parliament's Finance Committee, Supporting Service, and MPs on macro-fiscal, budget, and economic policy analyses

Component 3

- Publish “Financing the Growth of Small and Medium-Sized Businesses - Critical Issues and Recommendations for Serbia” and “Improving SME Access to Finance - A White Paper for the Government of Serbia”
- Launch outreach campaign on improving access to finance for SMEs to promote the white paper and recommendations
- Assist MoFE in developing an action plans for improving access to finance based on our findings
- Assist the MoFE and the NBS to develop a framework for data collection and analysis on SME finance.
- Support for adoption of the Factoring Law and organize the factoring law outreach after the law is adopted
- Finish the first phase of improve valuation of collateral via joint work with NBS
- Organize a roundtable on improving access to finance for agribusiness
- Organize a roundtable on improving access to finance through collaboration of SME and financial sector
- Announce the RFP and the vendor for implementing Securities Commission IT system
- Organize conference on non-banking financial institutions (factoring, leasing, etc.)
- Work on improving government debt market in order to achieve more diversified demand side
- Organize roundtable on “Bylaws on capital adequacy for investment firms” and amend bylaws for adoption
- Finalize the Commodity Law draft.

ATTACHMENT 1: BEP WORK ORGANIZATION



ATTACHMENT 2: LIST OF MEDIA PUBLICATIONS

No.	Date	Publication/Outlet	Title and description	Reach
1	01. 07. 2012	Ekonometar	The campaign "Ask When" is launched	
2	01. 07. 2012	Ekonometar	New Law on Factoring	
3	01. 07. 2012	Ekonometar	Used to instability	
4	03. 07. 2012	Ilustrovana politika	No more forgiving	36829.00
5	05. 07. 2012	Vreme	Law on Factoring	29150.00
6	09. 07. 2012	Blic	Inspectors do not control the companies in gray area	296249.00
7	10. 07. 2012	Dnevnik	Invitation to the capital	30000.00
8	11. 07. 2012	Radio Beograd 1	State of metal industry	
9	11. 07. 2012	Radio Beograd 1	Situation in Serbian metal industry	
10	14. 07. 2012	Blic	Corruption ate whole Serbia	296249.00
11	15. 07. 2012	www.rts.rs	Lowther: Abolish the para fiscal levies	
12	15. 07. 2012	http://vestisrbija.info	Lowther: Abolish the para fiscal levies	
13	15. 07. 2012	www.tanjug.rs	Lowther: Improve business conditions	
14	15. 07. 2012	www.novimagazin.rs	New Government to improve business conditions	
15	15. 07. 2012	www.beta.rs	Lowther: New Government should improve business conditions	
16	15. 07. 2012	www.glassrbije.org	Lowther: New Government should improve business conditions	
17	15. 07. 2012	www.mondo.rs	USAID: Improve business conditions	
18	15. 07. 2012	www.rtv.rs	Lowther: New Government to improve business conditions	
19	15. 07. 2012	www.danas.rs	Lowther: New Government should improve business conditions	
20	15. 07. 2012	www.pressonline.rs	Lowther: New Government should improve business conditions	
21	15. 07. 2012	www.najvesti.com	USAID: Improve business conditions	
22	15. 07. 2012	www.blic.rs	USAID: New Government should improve business conditions	
23	15. 07. 2012	www.infogo.biz	USAID: New Government should improve business conditions	
24	15. 07. 2012	www.krstarica.com	Lowther: Improve business conditions	
25	15. 07. 2012	RTS 1	Guest: Joe Lowther	
26	16. 07. 2012	www.akter.co.rs	USAID: Improve business conditions	
27	16. 07. 2012	http://vestisrbija.info	Lowther: New Government to improve business conditions	
28	16. 07. 2012	www.b92.net	Lowther: Improve business conditions	
29	16. 07. 2012	RTS 1	Joe Lowther statement	
30	17. 07. 2012	Blic	For debt collection companies are waiting 134 days	296249.00
31	20. 07. 2012	TV Pink	What bothers foreign investors?	
32	23. 07. 2012	Akter	USAID: Business conditions	
33	24. 07. 2012	Borski problem	Dignified work for everyone	

34	26. 07. 2012	Blic	279 days for a permit	296249.00
35	26. 07. 2012	www.blic.rs	279 days for a permit	
36	26. 07. 2012	Novi Magazin	Better start, slower advance	
37	02. 08. 2012	Blic	Costs of Justice	296249.00
38	04. 08. 2012	Blic	Fees higher than the Income tax	296249.00
39	08. 08. 2012	www.novosti.rs	Currency exchange officers with license for forgery	
40	08. 08. 2012	Večernje novosti	Currency exchange offices with licenses	590537.00
41	19. 08. 2012	Politika	For illegal construction, the Sweeds are sending people to the mental hospital	154499.00
42	20. 08. 2012	Večernje novosti	Incentives for companies from EU funds	590537.00
43	27. 08. 2012	RTS 1	Guest - Vladan Atanasijević	
44	30. 08. 2012	Nin	Calculation with 100 unknowns	53507.00
45	30. 08. 2012	Tabloid	Even the dead are scrambling	
46	10. 09. 2012	Radio Beograd 1	Campaign "Ask When"	
47	13. 09. 2012	www.energyobserver.com	Revision of the budget plans borrowing	
48	14. 09. 2012	RTS 1	Transparency in business of Public Enterprises	
49	15. 09. 2012	www.akter.co.rs	Repeal of 63 unnecessary levies	
50	15. 09. 2012	www.studiob.rs	NALED: Forest fee and similar fees abolished	
51	15. 09. 2012	www.tanjug.rs	NALED: Forest fee and similar fees abolished	
52	15. 09. 2012	TV B92	Guest -Milan Simić	
53	17. 09. 2012	Privredni pregled	Forest fee and similar fees abolished	
54	18. 09. 2012	TV Svet Plus	Research of unemployment in Serbia	
55	18. 09. 2012	www.beta.rs	USAID: Situation in Serbian economy is catastrophic	
56	18. 09. 2012	www.akter.co.rs	USAID: Situation in Serbian economy is catastrophic	
57	18. 09. 2012	www.pressonline.rs	Serbian economy is catastrophic	
58	18. 09. 2012	www.euractiv.rs	Reforms to lower unemployment	
59	18. 09. 2012	www.energyobserver.com	Reforms to lower unemployment	
60	19. 09. 2012	Press	Serbian economy is catastrophic	396574.00
61	19. 09. 2012	24 sata	Long wait for permits	275950.00
62	19. 09. 2012	Narodne novine	Situation in the economy is catastrophic	
63	19. 09. 2012	Privredni pregled	Unemployment is the biggest concern	
64	19. 09. 2012	www.kamatica.com	EC: Dark economic situation in Serbia	
65	19. 09. 2012	www.bizlife.rs	USAID: Situation in Serbian economy is catastrophic	
66	19. 09. 2012	www.gradjanske.org	Reforms to lower unemployment	
67	19. 09. 2012	www.biznisnovine.com	Serbian economy is catastrophic	
68	23. 09. 2012	Radio Novi Sad 1	How to overcome legal and administrative obstacles for construction permitting	
69	24. 09. 2012	RTS 1	Guest - Velimir Ilić	

70	24. 09. 2012	www.gradjevinarstvo.rs	USAID: We know how to simplify the construction permitting process
71	24. 09. 2012	TV Pink	Problems with construction permits
72	24. 09. 2012	RTS 1	Ilić: For legalization three years
73	24. 09. 2012	Happy TV	Waiting for construction permits
74	24. 09. 2012	TV Studio B	Velimir Ilić statement
75	24. 09. 2012	Happy TV	Serbia is on 175. place in construction permitting
76	24. 09. 2012	RTS 1	Faster to construction permits
77	24. 09. 2012	Prva Srpska TV	Reduction of procedures for construction permits
78	24. 09. 2012	www.bifonline.rs	USAID suggests changes in construction permitting
79	24. 09. 2012	www.blic.rs	Senić: A month for the Parliament to analyze the budget
80	24. 09. 2012	www.rts.rs	Budget for 2013. until the end of November
81	24. 09. 2012	Radio Beograd 1	Serbia is on 175. place in construction permitting
82	24. 09. 2012	www.ekapija.com	Construction permitting in first instead of 20th place
83	24. 09. 2012	www.rts.rs	Faster legalization soon
84	24. 09. 2012	TV B92	Construction permitting in Serbia
85	24. 09. 2012	Radio Studio B	Serbia is on 175. Out of 183 countries in construction permitting
86	24. 09. 2012	Radio Beograd 1	Serbia is on 175. Out of 183 countries in construction permitting
87	24. 09. 2012	www.akter.co.rs	Serbia is on 175. place in construction permitting
88	24. 09. 2012	www.beta.rs	Serbia is very bad in construction permitting
89	24. 09. 2012	www.b92.net	Serbia has low rating for construction
90	24. 09. 2012	www.danas.rs	Hundred days for a permit
91	24. 09. 2012	www.bizlife.rs	Serbia is on 175. place in construction permitting
92	24. 09. 2012	www.gdeinvestirati.com	Easier to construction permit: Fees will be paid after obtaining a license
93	24. 09. 2012	www.krstarica.com	Serbia is on 175. place in construction permitting
94	24. 09. 2012	www.gradjevinarstvo.rs	Serbia is on 175. place in construction permitting
95	24. 09. 2012	www.naslovi.net	Serbia is on 175. place in construction permitting
96	24. 09. 2012	www.nadlanu.com	Serbia is very bad in construction permitting
97	24. 09. 2012	www.kurir-info.rs	Serbia is on 175. place out of 183 countries
98	24. 09. 2012	www.novosti.rs	Construction permits on one counter
99	24. 09. 2012	www.novimagazin.rs	Serbia is on 175. place in construction permitting

100	24. 09. 2012	www.politika.rs	Serbia is on 175. place in construction permitting	
101	24. 09. 2012	www.rtv.rs	Ilić: For legalization three years	
102	24. 09. 2012	www.pressonline.rs	Serbia is on 175. place in construction permitting	
103	24. 09. 2012	www.totalportal.rs	Serbia is on 175. place in construction permitting	
104	24. 09. 2012	www.telegraf.rs	On world's bottom: Serbia is on 175. place in construction permitting	
105	24. 09. 2012	www.totalportal.rs	Hundred days for a permit	
106	25. 09. 2012	Dnevnik	Obeying the law is never good in Serbia	30000.00
107	25. 09. 2012	Danas	Hundred days for a permit	29643.00
108	25. 09. 2012	Blic	Up to 279 days for construction permit	296249.00
109	25. 09. 2012	Politika	Agencies closed, budgets survived	154499.00
110	25. 09. 2012	Alo!	Serbia is among lowest ranked countries in construction sector!	296249.00
111	25. 09. 2012	www.krstarica.com	Budget for 2013. until the end of November	
112	25. 09. 2012	Privredni pregled	Numerous and slow procedures	
113	25. 09. 2012	Večernje novosti	Construction permits on one counter	590537.00
114	25. 09. 2012	Press	Serbia is on 175. place in construction permitting	396574.00
115	25. 09. 2012	Politika	First permits, paying fees after	154499.00
116	25. 09. 2012	www.novimagazin.rs	All papers on one counter	
117	25. 09. 2012	www.tvojportal.com	Construction permits on one counter	
118	25. 09. 2012	RTV1	Law changes to enhance legalization and speed up construction permitting	
119	25. 09. 2012	TV Palma plus	Construction permitting efficiency analysis in Serbia	
120	25. 09. 2012	www.pregled.rs	Numerous and slow procedures	
121	25. 09. 2012	www.politika.rs	First permit, than paying fees	
122	26. 09. 2012	Dnevnik	Corruption cutting on one counter	30000.00
123	26. 09. 2012	www.dnevnik.rs	Corruption cutting on one counter	
124	26. 09. 2012	www.newbalkan.com	Simplify and speed up the process of construction permitting	
125	26. 09. 2012	RTS 1	Faster to construction permits	
126	26. 09. 2012	www.glassrbije.org	Faster construction permitting to move the Economy	
127	26. 09. 2012	www.studiob.rs	Dinkić: Government will give loans for apartments	
128	26. 09. 2012	www.kurir-info.rs	Dinkić for repeal of public land usage fee	
129	27. 09. 2012	Politika	Dinkic: The state will no more build apartments	154499.00
130	27. 09. 2012	Narodne novine	Easier to get to a spaceship than to a permit	
131	28. 09. 2012	Press	Bureaucracy cut for new jobs	396574.00
132	29.09.2012.	Blic - Beograd	Confession for the Fair	

133	29.09.2012.	Blic - Novac	Land usage fee important to municipalities	6464400.00
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ATTACHMENT 3: PROGRESS VERSUS WORKPLAN

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
Objective 1: Improve and streamline business regulation				
1. Improve Inspections Operations and Organization	Conduct an overall baseline assessment of the inspections system in Serbia.	April-July 2011	Baseline Assessment on Inspections	Roundtables in five municipalities completed. National level conference held. Five focus group meetings held. Assessment completed.
	Provide technical assistance for implementation of 2010 recommendations for streamlining inspections that GoS has adopted, including: a) the appointment of the Coordination Body for inspections reform and b) development of the Inspections Reform Strategy and Action Plan	April-October 2011	Strategy and Action Plan	Inspections Reform Coordination Body established, and met once. With the BEP provided support, the Draft of the Inspection Reform Strategy developed.
	Assist GoS Working Group with development of the Inspections Reform Strategy (the Program).	Jan - April 2012	Strategy for Inspections Reform	Draft of the Inspection Reform Strategy developed.
	Assist the implementation of the Inspections Reform Strategy, including increasing transparency, streamlining regulations, establishing coordination between inspections and decreasing the number of steps and procedures.	October 2011-April 2012	Pilot public web based portal for inspections; Report on reduction of number of procedures and steps	Activity expected to start in early 2013.
	Provide technical assistance for the development of the legal and regulatory framework for implementation of the Inspections Reform Strategy.	Mar 2012 – Jan 2013	Draft laws and bylaws for implementation of the inspection reform.	Draft of the Outline of the Future Inspections Law prepared and shared with the inspections reform Leadership Group.
	Provide technical assistance for the development of the Action Plan for the Inspections Reform Strategy (the Program).	Feb - November 2012	Action Plan for Inspections Reform	Activity expected to start in early 2013.
	Assist the implementation of the pilot project for the Inspections Reform, targeted at	Jan - April	Reformed	TOR for the new e-Inspections

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
	increasing transparency, establishing coordination between inspections and decreasing the number of steps and procedures.	2012	inspections mechanism for selected inspectorates	system has been developed. Its release is awaiting confirmation of commitment by relevant ministries.
	Conduct an outreach campaign to raise public support for inspections reform	Mar 2012 – Jan 2013	Inspections reform outreach campaign	Outreach campaign in progress.
2. Remove or reduce quasi fiscal burdens to businesses	Develop an inventory and analysis of cost of charges and fees imposed on businesses by GoS entities	April-June 2011	Inventory of Charges and Fees	Inventory and analysis completed.
	Facilitate stakeholders' discussion on the cost and lack of predictability and certainty of charges and fees on local and national level and develop solutions	May-July 2011	Issue-Tracker; Report on proposed solutions	First discussion took place on April 19. More focused discussion on para-fiscal charges in real estate sector held on September 26. Other outreach and public private dialogue activities planned.
	Advocate for changes in relevant legislation and practice	July–November 2011	Media and other communications; Roundtables and Conferences	Activity started on April 19 and continues mainly through outreach activities. In September 2012 Parliament adopted a package of laws streamlining number of para-fiscal charges.
	Assist in preparation of legislative and procedural solutions, based on stakeholders dialogue	November 2011 – March 2012	Legislation to remove or limit charges and fees	Activity started immediately after formation of the new Government, with number of changes already legislated.
	Conduct an outreach campaign to support removal of quasi fiscal charges using the inventory and analysis of cost of charges and fees imposed on businesses by GoS entities	Feb - December 2012	Outreach campaign on para-fiscal charges	Ongoing,.
	Assist stakeholders in discussing and development of the solutions for reducing the cost and for dealing with the lack of predictability and certainty of charges and fees on local and national level	March - December 2012	Public discussion on solutions for quasi fiscal charges	Activity started following April 19 presentation.
	Provide technical assistance for further development of proposals for streamlining quasi fiscal charges.	March – December 2012	Proposals for streamlining para-fiscal charges.	Activity started immediately after formation of the new Government, ongoing.

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
3. Assist implementation of the Law on Enforcement (adoption expected in April)	Finalize the bylaws needed for the implementation of the Enforcement Law	April-July 2011	Enforcement bylaws drafted and adopted	All bylaws are adopted.
	Develop and conduct training program for future Private Enforcement Officers (PEOs) and procedure for appointment of PEOs	April 2011 – November 2011	Training program (app. 300 PEOs trained)	Training program developed and training delivered. Appointment procedure established and implemented.
	Develop system for appointment and supervision of PEOs, including establishment of MoJ unit to oversee PEOs (training and procedures), organize exam	April 2011 – April 2012	MoJ Enforcement Supervision Unit operational First PEOs exam	System for appointment of PEOs established. Supervision performed by the Chamber of Enforcement Officers. Group of MoJ officers is designated to deal with the enforcement sector, without being organized into separate organizational unit.
	Finalize the bylaws needed for the implementation of the Enforcement Law	Jan - May 2012	Bylaws needed for the implementation of the Enforcement Law	All bylaws are adopted.
	Develop the Curriculum and training manuals and materials for continuing education of Professional Enforcement Officers (PEOs) and conduct the first training program for the first body of appointed PEOs	Jan - June 2012	The first training program for the first body of appointed PEOs	Training manual developed and training delivered.
	Conduct and outreach campaign to promote the new PEOs profession and overall enforcement reform	Sept – November 2012	Outreach campaign on new PEOs profession	Outreach campaign implemented in partnership with the MoJ.
	Develop system, including internal procedures and establishment of Disciplinary Commission, for appointment and supervision of PEOs and assist in establishment and capacity building of MoJ unit to oversee PEOs	Jan-Nov 2012	Functional Disciplinary Commission and MoJPEO unit	System for appointment of PEOs established. Supervision performed by the Chamber of Enforcement Officers (already operational) and the MoJ. Group of MoJ officers is designated to deal with the enforcement sector, without being organized into separate

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
				organizational unit.
4. Streamline Construction Permitting	Conduct research on Construction Permits Procedures Priority Constraints and facilitate stakeholders dialogue to develop priority list and action plan for improvements in legislation and practice	April 2011 – February 2012	Report on Construction Permits Procedures Priority Constraints; Issue-Tracker and Action Plan	Report on Construction Permits Procedures Priority Constraints be completed. Stakeholders dialogue started with the roundtable on the Draft Report and continued at the conference with participation of line minister and all key stakeholders.
	Assist the Ministry of Environment and Spatial Planning (MESMP) in developing bylaws and Official Opinions for the proper implementation of the new Law on Planning and Construction	April 2011 – April 2012	Bylaws and Official Opinions drafted and adopted / issued	Focus on conversion decree resulted in adoption of that bylaw with support from BEP in terms of facilitating public discussion and providing the technical assistance in developing the decree. MEMSP created special web-based mechanism for prompt issuance of opinions for implementation of the LPC. Based on the finding of the Assessment of the Obstacles for Construction Permits, concrete proposals for reforms defined and presented to the Government officials who promised to engage in implementing them.
	Conduct pilot RIA for selected MESMP bylaws	April 2011 – April 2012	Pilot RIA conducted	First RIA on a bylaw expected to be on the Decree on Communal Charge.
	Use results of the research on Construction Permits Procedures Constraints to facilitate an outreach campaign and stakeholders dialogue to develop priority list and action plan for improvements in legislation and practice	Feb – Dec 2012	Outreach campaign on construction permits constraints, public private dialogue	Stakeholders' dialogue started with the presentation of the Draft Report. Outreach campaign initiated, with the Conference with participation of line minister being its highlight so far. Other outreach

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
				activities to follow.
	Implement the system for tracking progress with adoption of spatial plans and for accessing the plans in the user friendly format	Jan – April 2012	Web based system for tracking planning documents	RFA for web based system for tracking planning documents prepared, commitment from the Government partners secured, release of the RFA imminent.
	Develop and promote an action plan for business processes improvement in one priority aspects of construction permitting, such as use of information technologies, urban planning mechanisms and role of public enterprises	April 2012 – January 2013	Action plan for business processes improvement in one priority aspects of construction permitting	This activity is a part of broader efforts with the line ministry to define the reformed construction permits procedure after which USAID BEP will target its assistance to one of critical elements of the procedure..
5. Reduce the employing workers burden	Develop studies on labor flexibility and on costs and productivity of labor in Serbia, with references to regional and best international practice, including analysis and set of recommendations for change	Feb 2012 – June 2012	Studies on labor flexibility and on costs and productivity of labor in Serbia	RFA released, study expected to be completed in October.
	Organize outreach campaign and public-private dialogue to inform decision makers, stakeholders and general public about the impact of current environment for labor market and about expected outcomes of proposed reforms	Sept – Dec 2012	Outreach campaign on environment for labor market	Outreach campaign initiated, with the peak planned for November 2012. Public private dialogue is being prepared by the facilitating the private-private dialogue and opening up dialogue with trade unions.
	Provide technical assistance for legal drafting related with labor legislation	Sept 2012 – January 2013	Drafts of legal acts for reducing the employing workers burden	This activity will start after agreeing with key social partners on the content of the reform.
Objective 2: Business Effectively Partners with Government in developing and implementing regulatory reforms				
1. Improve Public Private Dialogue	Facilitate improved dialogue between the GoS and businesses on regulatory reforms (on-going activity)	April 2012 – April 2013	Quarterly Coordination Meetings,	Public private dialogue focused on dealing with para-fiscal charges, reforming construction permitting,

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
			Workshops & Roundtables, Business reps appointed members of Drafting Work Groups in comm. law area	inspections reform, promotion of PPPs and of the Code of Corporate Governance.
	Conduct an Annual Survey of Business Community on major regulatory constraints	April 2012 – July 2013	2011 Survey Results on Major Constraints to businesses	Completed, results presented at the national conference.
	Facilitate positioning of the forum of the heads of business associations in Serbia into an institutional mechanism to provide businesses' input on regulatory reforms and build support for increasing the impact and influence of this forum to reform decision makers	Jan – Nov 2012	Established RRO advisory group consisted of business associations representatives	Practice of consultative meetings between RRO and business associations established and sustained.
	Conduct Annual Business Survey continuing the practice started in the Year 1	Jun – Nov 2012	Annual Business Survey report	Surveying businesses completed, the report will be prepared in October and publicly presented not later than November.
Objective 3: Improve the regulatory review process and RIA process				
1. Improve Quality and Quantity of Legislative and Regulatory Reforms	Conduct an Overall Standard Cost Model Study on the costs of regulatory constraints for doing business in Serbia	April 2012 – July 2013	Overall Standard Cost Model Study on business constraints	Completed, results presented at the national conference.
	Assist the GoS Secretariat in developing transparent Annual Legislative Action Plan	May 2012 – April 2013	Annual Legislative Action Plan Developed and publically available	Changes to the GoS Rules of Procedures discussed with the GoS General Secretariat and amendments to the Rules of Procedures are drafted accordingly and submitted to the General Secretariat.
	Assist the GoS Secretariat in streamlining drafting procedures and making them fully	May 2012 –	Amendments to the	Changes to the GoS Rules of

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
	inclusive and transparent	April 2013	GoS Rules of Procedure New methodologies for inclusive and transparent drafting	Procedures discussed with the GoS General Secretariat and amendments to the Rules of Procedures are drafted accordingly and submitted to the General Secretariat.
	Assist in drafting and adoption of the National Strategy and Action Plan for 2011 – 2012	November 2012 – March 2013	Regulatory Reform Strategy and Action plan	Strategy Drafted and publically discussed with BEP support. Adoption expected by the end of 2012
	Support preparation of RIA for selected legislation (ongoing activity)	April 2011 – March 2012	Regulatory impact assessments	Ongoing - first RIA supported by BEP will be most likely on the Law on Inspections.
	Assist the RRO in conducting RIA for selected legislation and bylaws (ongoing activity)	Jan 2012 – Jan 2013	Standard Cost Model Studies on the costs of particular regulatory constraints for doing business in Serbia	RIA supported by BEP will be most likely on inspections reform strategy.
	Assist implementation of the National Regulatory Reform Strategy and Action Plan for 2011 - 2012	Jan 2012 – Jan 2013	Annual report on the Strategy implementation	This activity will start upon adoption of the NRRS.
	Assist RRO's capacity building and support its outreach and promotion activities	Feb 2012 – Jan 2013		Ongoing activities.
Objective 4: Create enabling environment for PPPs				
1.	Facilitate public private dialogue on the bylaws stemming from the PPP and concessions and utility activities law	Feb – Jun 2012	Roundtables, working group meetings, public discussions, consultations	This activity will start after completion of the draft of the first relevant bylaw.
	Provide technical assistance for drafting bylaws stemming from the PPP and concessions and utility activities law	Feb – Jun 2012	Drafts of bylaws stemming from the PPP and	Ongoing – technical assistance so far provided regarding development of the Communal Charge Decree.

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
			concessions and utility activities law	
	Assist the PPP Commission in developing the PPP and concessions methodologies	Jan – Jun 2012	PPP and concessions methodologies	Ongoing.
2. Build interest and capacities of public and private partners to engage in PPPs	training to the members of the Commission (including a study tour in a CEE country)	Jun – November 2012	Training, study tour	This activity is planned for November 2012.
	Organize an outreach campaign to educate stakeholders and general public on potential and challenges related with PPPs	Oct – Dec 2012	Outreach campaign on potential and challenges related with PPPs	This activity will start in December 2012.
	Organize the “Governments and Businesses Talk Partnerships” road show to train public authorities and potential investors on the possibilities created with the PPP legislation.	Jun – November 2012	Training/regional presentations	This activity will start in December 2012.
Objective 5: Improve Corporate Governance Policies, Standards and Regulations				
1. Support implementation of the new Company Law (adoption expected by June)	Assist GoS in drafting bylaws needed for the implementation of the provisions on Corporate Governance in the new Company Law	October 2011 – January 2012	Bylaws	The new Code of Corporate Governance adopted.
	Develop Curriculum and train Commercial Court judges on implementation of the new Company Law	October 2011 – April 2012	Training for Judges	Curriculum developed and 44 judges trained so far.
	Information dissemination on the company law to business community	Sept. 2011 – April 2012	Brochure, media outreach	This activity is implemented through the grant for training of Commercial Court judges
	Assist development and popularization of the new Code of Corporate Governance.	Jan – Apr 2012	New Code of Corporate Governance	This activity will start with public promotion of the newly adopted Code.
Communications and Outreach Activities				
Outreach to General Public on the findings of the SCM Study and the Annual Business Survey (Task 2 and 3)		Sept 2011-ongoing		Implemented, resulting in extensive media coverage
Organize outreach activities to promote need for implementation of inspection reforms (Task 1.1)		June 2011-ongoing		Ongoing – started with five inspections reform roundtables and

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
				national level conference and continued with the press conference and number of media interviews.
Raise awareness of decision makers on implications of para-fiscal impositions on competitiveness of Serbian economy (Task 1.2)		Sept 2011-ongoing		Ongoing.
Raise awareness on competition constraints and their cost (Task 4.1)		Oct 2011-ongoing		Activities on this objective have been canceled
Assist outreach campaign on the importance and benefits of the new enforcement system (Task 1.3)		May 2011-ongoing		Outreach implemented in partnership with the MoJ.
Enable journalists to learn more about economic topics and economic reforms needed in Serbia (Task 2.1)		Ongoing		Ongoing – all of the Component 1 activities, with exception of the 5 focus groups on inspections and certain activities related with the labor policy include media.information element.
Promote regulatory reform initiatives (maintaining regular contacts with media, designing the content and maintaining the BEP website, communicating regularly with USAID)		Ongoing		Ongoing.
Information dissemination on corporate governance to business community (Task 5.1)		Ongoing	.	Ongoing.
Advocacy for inspections reform		January – December 2012		Ongoing
Outreach campaign for quasi-fiscal charges		February – December 2012	Grant	Ongoing.
Constructions permits – outreach on problems and solutions		March – December 2012	Grant	Outreach campaign started with promotion of the Draft Report on Construction Permitting.
Labor policy outreach		March – December 2012		Outreach campaign expected to start since October 2012.
PPP road show and other outreach		June – December 2012	Grant	Outreach activity will start in November 2012, and roadshow will start in December 2012.

Component 1: Business Regulation and Economic Governance				
Task	Activities	Activity Period	Deliverables	Status
Outreach campaign for enforcement of judgments procedures and PEOs		January – October 2012		Outreach implemented in partnership with the MoJ.
Publicize results of BEP Survey of Businesses		October – December 2012	This activity will take place in Fall 2012.	
Gender Integration Activities				
Inclusion of gender analysis in RIA		Ongoing		Ongoing
Analysis of gender impact of legislation and regulations supported by Project		Ongoing		Ongoing

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
Objective 1: Improve GoS budgeting, fiscal policy analysis, and financial management efficiency				
1. Capacity building assistance to the Fiscal Council and improvements to fiscal responsibility	Technical assistance and capacity building to help expand the FC's analytical scope to address: Medium-Term Objectives (MTOs), new fiscal adjustment reforms, and overall improvements to public sector financial management.	Jan - April 2012	Ongoing Technical Assistance MTFAR document	BEP Assisted Fiscal Council in Preparation of Assessment of the Proposed Revised Budget for 2012 and the Proposed Laws with Fiscal Impacts, which Fiscal Council presented at a press conference on September 13. BEP's STTA Milojko Arsic assisted the Fiscal Council in preparing the assessment. BEP is likely to also support higher level analysis of Budget 2013. Other support is being considered. For the next year, BEP plans to provide capacity building assistance to create Demographic Model.
	Support for tactical research that will help the FC improve fiscal policies and advance economic development	2012	Policy Notes and Research	The study of the shadow economy commenced and is in line with

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
			Advisory Papers	<p>previous discussions BEP had with the Fiscal Council. It is important to note that the study should provide useful information on new fiscal policies that the FC is currently evaluating.</p> <p>The study on State Aid commenced, but has been delayed due to the grantee having trouble getting information. Efforts are being made to access the information.</p> <p>The C1/C2 study on De-Agencification of Serbia is expected to be finalized soon and represents a follow up to the Fiscal Council's "Own Revenues of Budget Users and Out-of-Budget Funds" analysis.</p>
	Assist in strengthening public awareness and dialogue on the role and importance of the FC.	2012	Conferences, debates, policy notes, public dialogue	<p>C2 has begun to scale down its efforts but a couple of activities undertaken this quarter helped to promote the FC.</p> <p>The recent presentation to Parliament organized by C2 featured the Fiscal Council and its role in supporting the Finance Committee. Further activities are planned.</p> <p>Additionally, BEP also provided advisory support to the FC that has</p>

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				<p>allowed it to receive a wide media attention following its press conference on assessment of budget 2012 revision and review of the government's fiscal consolidation measures. A significant amount of the analysis receiving media attention was performed by BEP advisors.</p> <p>It is unlikely that the Council will need support in this area this year.</p>
2. Improvements to MoF Fiscal Analysis and Strategy	Finalization of written guidelines for structural and cyclically adjusted deficit projections and debt sustainability analysis.	Jan - April 2012	Trainings and Training Materials	Completed in Q2. Please refer to Q2 report.
	<p>Study tour to 1-2 countries in the region to learn how to apply fiscal analysis to policymaking processes (e.g. Croatia, Slovenia, and/or Austria)</p> <p>[note: this is Year 1 Work Plan's activity, Study Tour was completed in January under the Work Plan for Year 1]</p>	Oct-Nov 2011	Study Tour	Study tour to Italy completed during January 2012. However, the MoFE has continued to benefit from the contacts and information it obtained from that effort. Noted below is an assessment that BEP was able to execute very quickly with one of the Italian economists introduced during that Study Tour.
	Build capacity of the Macro-Fiscal Department (MFD) of MoF to develop and apply econometric models and carry out comprehensive analysis of the public finance sustainability in the mid-term and long-term.	Jun - Dec 2012	Model, Training and Training Materials, Guidelines	Training seminars on medium and long-term fiscal analysis delivered in Q2. Training will be continued in late October and November, with seminars on revenue projection.
	Assist the MoF to become a more effective policy-making institution by expanding its capacity to evaluate the impact of micro-fiscal policies on businesses and households.	Sept – Dec 2012	Model, Training and Training Materials, and Guidelines	BEP delivered the report "An Institutional Assessment and Recommendations for the Macro Fiscal Department". This report, requested by the MFE, looks into challenges of the MFD related to its expanded role in fiscal

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				management, policy making, and cooperation with the EC, and will serve as a basis for the MFD's strategy to respond to the immediate and medium-term capacity gaps of the department. It features technical specifications for priority models to be developed and used by the MFD.
3. Assistance to the GoS and Parliament to improving budget coordination and performance management	Use findings and recommendations from the "Study on Effective Use of Performance Indicators in Public Sector Budgeting and Planning" to train General Secretariat on use of performance indicators and to assist on further development of performance indicators on GoS programs.	March - Sept 2012	Training and Training Materials, Advisory notes High-level workshop	See activity below.
	Undertake donor coordination on outreach efforts to broaden public awareness and dialogue on strategic and performance-based budgeting and planning, to place the budget process reforms on the top of the GoS' agenda, and perform analyses that support that cause. Initiate and maintain communication with other GoS stakeholders such as the Parliament, State Audit Institution, etc.	Feb - Dec 2012	Advisory Notes	BEP organized a panel on "Strengthening the Parliament's Role in Budgetary Decision-Making and Planning" at Serbian National Assembly. The panelists and MPs discussed: 1) quality of budget process, 2) transparency of budget document, and 3) analytical capacities in the Parliament. Prof. Dusan Vujovic, USAID BEP advisor, presented how program and performance-based budgeting increase the efficiency and accountability of public spending, and how it can be of service to the Parliament. To help strengthen the analytical capacities in the Parliament for budget and policy analysis and evaluation, BEP will in Q4 launch a series of seminars for the Finance Committee, the MPs and the National Assembly Support

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				Service on relevant topics.
4. Assist the MoF Budget Department to develop capacity for improved transparency and program budgeting	Train the Budget Department, line ministries and other government institutions (i.e. State Audit Institution) on performance-based budgeting planning, managing, and monitoring skills. Assistance to the Budget Department to implement performance-based budgeting as opportunities arise.	2012	Training and Training Materials	BEP held meetings with the new Head of the Budget Department and the State Secretary in charge to ensure the MFEs commitment to transition to program budgeting and discuss implementation action plan and specific measures to move this initiative along. The action plan should be finished in Q4 and technical work should begin.
	Assist the MoF to draft and distribute "A Citizen's Guide to the Budget" aimed at promoting public finance transparency and educating broader public on budgetary issues.	Feb - April 2012	Citizen's Guide to 2013 Budget	The grantee – BIRN designed the outline of the publication and is working jointly with the MFE on the content. The publication is expected to be presented at the National Budget Forum event in the Parliament in November.
5. Improvements to Fiscal Policy, Strategy and Analysis	Joint training and capacity building for journalists and other stakeholders (like public relations and communications officials from GoS) to improve the quality of reporting and analysis of economic issues.	2012	Workshops Trainings and Training Materials	Grant "Journalist Education on Economic and Business Reforms", awarded to CLDS, has been completed. BEP is waiting for CLDS to propose the form and duration of the follow on activities.
	Strengthen public awareness and debate on key fiscal policy issues through various mechanisms including, public events, workshops, co-sponsorships of economic publications, Policy Café website.	2012	Research Paper Public Debate	Ongoing. FREN published and promoted the QM 29 issue. The promotional event presented the analysis and papers in the QM and attracted media representatives. QM's Spotlight On paper funded by USAID BEP provided important insights on how to replace numerous para-fiscal charges with simple and predictable tax instruments and how the possible

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				cuts on para-fiscal charges would encourage the start-up of new business or would have positive effects on the financial solvency of the existing ones. BEP grantee BDO produced drafted amendments to the regulations on state aid in area of employment, which means that the State aid schemes will be aligned with EU standards once the respective Amendments are adopted. However, the grantee has had difficulties in obtaining data necessary to assess state aid programs in economic area.
Objective 2: Improve public debt management and conditions for government financing				
1. Improving conditions for public investment in and trading of government debt (See also Component 3)	Training and organizational improvements to strengthen the front office operations of the PDA based on findings and recommendations from planned review of organizational structure.	2012	Action plan	The organizational diagnostic work now planned for completion in October (see Objective 2, Task 2, Activity 1 below), will provide insights into the front office operation improvements among other areas. Further, in cooperation with C3 we have started to evaluate market and infrastructure constraints related to government debt issuance and secondary market trading. This activity is encouraged by the PDA Director and will support front office development.
	Assistance to the PDA to strengthen investor relations and public outreach about opportunities in central government and municipal debt.	2012	Action plan	BEP is working on the design and planning of two events that are expected to take place in

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				<p>November: 1) a roundtable on government securities from investors' perspective in November with a grantee, Economics Institute; 2) a panel at the annual stock exchange conference on investor perspectives and ideas for market development.</p> <p>Previously planned co-organization of public debt conference with an EU project has been postponed for Spring 2013.</p> <p>Also, BEP has been asked to participate in the inter-governmental Working Group (PDA, NBS, MoF, Central Registry) to improve the market for government securities. BEP hopes to outline specific technical assistance in this area based on this participation.</p>
2. Assistance to improve debt management systems, reporting, analysis, and capacity	Organizational development and capacity assistance to strengthen PDA's middle and back offices in line with the international standards.	January 2012 – June 2012	Advisory Report on Organizational Diagnostic	The organizational diagnostic work now planned for completion in October (see Objective 2, Task 2, Activity 1 below), will provide insights into the back and middle office operation improvements among other areas. In support of middle office, BEP is planning a second series of training, mostly for middle office staff to allow them to perform new functions that are recommended in the diagnostic

Component 2: Macroeconomic Policy and Public Financial Management

Task	Activities	Activity Period	Deliverables	Status
				report. In the back office, BEP is providing ongoing support for information system reform and automating operations around the debt stock and debt service reporting.
	Ongoing training series and capacity building to PDA in debt management strategy, risk management, planning and operations.	2012	Trainings, Training Materials, Models, Handbooks, Hardware, Educational Materials, etc.	BEP plans to provide additional training in December 2012 that will enable PDA staff to undertake more sophisticated risk management analyses, which will help reduce risk and cost of debt to the GoS – and help drive down the costs of capital for private businesses.
	Continued support for improvements to debt management systems and reporting and information management (e.g. TRASSET reform, advisory support on IT system enhancement, report template development, analytical models, etc.)	2012	Periodic report on issue identification and resolution; New Reports created; User Requirements Outlined	Per request by the PDA director, BEP is assisting the PDA with the issues related to procurement of maintenance services for its debt management system, as well as for procurement of a new reporting system. The advice will enable the PDA to make an informed strategic decision on how to effectively manage the debt management system and new reporting module. The procurement is expected before the end of 2012. PDA director also requested and BEP provided assistance in resolving crucial issues related to the implementation of a document management system. As a result of this assistance, PDA is now able to track and store documents electronically, which will improve the

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
				control and quality in execution of debt management functions.
	Assist the PDA in project managing the implementation of new modules and functionalities of its debt management system.	TBD	Regular Reports on Implementation Status and Undertaken Activities	Not started. TBD. PDA plans to procure a new reporting system for public debt, also known as Business Intelligence. During the process of procurement more information will be available on the exact timing and duration of this implementation. At that point, BEP will discuss further assistance with the PDA.
Objective 3: Improve macroeconomic policy and strategy				
1. Tactical Assistance to advance the GoS macroeconomic strategy	Design and conduct policy-focused studies and policy briefs that will help the new government formulate and plan business growth-focused economic reforms.	Feb – September 2012	Economic Growth Model	BEP awarded FREN the grant to address policy actions and recommendations for reducing the shadow economy. BEP approved the submitted survey proposal of businesses that will be conducted this Fall to obtain information where shadow economic activity is occurring.
	Conduct outreach on priority macroeconomic issues of the new government through various mechanisms including workshops, roundtables, and Policy Café submissions.	2012	Conferences, Debates, Roundtables	BEP External Advisor Milojko Arsic wrote an article on “Budget Revision and Fiscal Consolidation” that was published in FREN’s Quarterly Monitor and also on BEP’s portal www.policycafe.rs .

Component 2: Macroeconomic Policy and Public Financial Management				
Task	Activities	Activity Period	Deliverables	Status
	Complete the analysis of national savings patterns and promote reforms supporting increased domestic savings rates.	March – October 2012	Savings Study Outreach	The initial draft of the study of national savings is ready and is currently being reviewed by BEP with the grantee. In the next quarter, BEP will host an event with the grantee to publicize the results of the study.
Communications and Outreach Activities				
	Support to the Fiscal Council on outreach and communication strategy	End of 2012		Continued to assist the Fiscal Council with communications materials. Fiscal Council organized a press conference on budget 2012 revision that led to considerable debate in public and in the Parliament.
	Support to the Public Debt Administration on outreach	All year		BEP will organize a roundtable on government securities from investors' perspective in November with a grantee, Economics Institute. BEP will organize a panel at the annual stock exchange conference on investor perspectives and ideas for market development.
	Press and media events associated with the results of select studies (Savings, Shadow, Performance indicators, ...)	All year		C2 is seeking to host a technical briefing for members of the Parliamentary Finance Committee in November. This will be part of a series. The first topic is TBD.

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
Objective 1: Increase capital available to businesses through creation of a regulatory framework for NBFIS				
1. Assistance in implementation of the new Capital Markets Law	Technical assistance and outreach support to the Securities Commission (SC), MoF, other securities industry stakeholders, including journalists trainings/briefings, to promote acceptance of the new legislation and its impact on market development	February – December	Conference material Media material Ongoing advisory notes Training materials	Completed. 212 participants took part at the Conference organized on April 11. The aim of the Conference organized by BEP and the SC was to promote new regulations (the Capital Market Law and bylaws, the Company Law and the Takeover Law). Relevant materials from the Conference, law and bylaws are published on www.sec.gov.rs and www.policycafe.rs . BEP translation of the Capital Market Law, which is important for foreign investors, is available on SC, BEP and BSE web page.
	Technical assistance to develop remaining bylaws, regulatory directives and guidelines (e.g. capital requirements, credit rating services, regulatory instructions, etc.) to implement the new Capital Market Law	January - July	Outlines of bylaws drafted Legal drafts	Ongoing. Currently waiting the SC to finish reviewing the draft of the bylaws related to the capital adequacy of investment firms, to organize public discussion and proceed with adopting the bylaws. Already completed - The bylaws related to the transparency and disclosure, and bylaws regarding the Official Register of Information are finished and adopted at the beginning of 2012. This is in addition to the 17 capital markets

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
				bylaws (related to the prospectus, investment firms, Investors Protection Fund and market abuse) that was drafted, confirmed by the MoF and adopted by the SC in 2011.
	Staff training and capacity building for the SC to implement the new Capital Market Law.	February – April	Training materials Advisory notes	Completed. The SC participated at the US Securities and Exchange Commission Annual International Institute for Securities Market Development in Washington DC during the April with around 180 senior securities officials from over 70 countries. The BEP has reached a cost-sharing agreement with the SC. As a result of the study tour, the SC team will (1) take proactive role in financial market development, (2) improve supervision by starting work on implementation of risk based supervision approach and (3) deliver training for their colleagues based on the knowledge acquired throughout the study tour.
2. Assistance in development and implementation of other capital market-related laws	Assistance to the SC and MoF on preparation for other legal drafts, including consultations with industry as may be needed.	October - December	Outlines of bylaws drafted Legal drafts Roundtables	Completed. As a part of the effort to improve other capital market related laws, BEP completed work on transposition table, an official table of Takeover Law compliance with EU Directives. BEP provided recommendations and comments to the MoF for the Law improvements. BEP and MoF will

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
				use the work done to prepare amendments of all capital market related laws aiming to improve regulation, as well as compliance with EU Directives.
3. Assistance for the development of a legal framework and strengthened enabling environment for a commodity exchange	Participation and technical support to the MoTA working group in drafting Commodity Exchange Law and resolving various technical and regulatory issues.	January - May	Draft Commodity Exchange Law	<p>Ongoing. After the reorganizing the ministries, the work has being transfer to the Ministry of External and Internal Trade and Telecommunication. Ministry is in the process of establishing a new working group with the goal to finalize the law.</p> <p>Already completed - The first draft of the law is prepared and is under internal review. The second round of the review, that includes all relevant stakeholders, will be organized after the new working group is established.</p>
	Facilitate outreach and public-private dialogue that will help to foster market support for having a national commodity exchange and commodity risk management products.	January - December	Roundtable conclusions Media materials <i>Produktna berza</i> and PolicyCafe website content	<p>Ongoing. Relevant materials, researches and policy notes are regularly published on www.policycafe.rs</p> <p>Already completed - Roundtable with the stakeholders and businesses organized at the end of January in Belgrade.</p>
	Training and capacity building to the MoTA, SC, and other stakeholders on commodity exchange supervision.	November 2012 – April 2013	As defined by the law	Activity scheduled for end of 2012 and beginning of 2013.
	Other technical and operational assistance to integrate and harmonize commodity	November	Advisory notes	Activity scheduled for end of 2012

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
	exchange regulation into overall capital market regulation, and assistance to develop market for commodities.	2012 – March 2013	Outlines of policies and procedures drafted	and beginning of 2013.
Objective 2: Strengthen integrity of the capital markets by helping the GoS to assist equity issuers and brokers to comply with securities laws				
1. Assistance to build capacity of the Securities Exchange Commission in brokerage and investment fund supervision	Training series and organizational development support to the SC and industry to strengthen implementation of the new law and adoption of international practices	April - October	Training materials Advisory notes	Ongoing. Training will start after finalizing the work on Request for Proposal for the SC IT, since the new IT system leads to organizational change. Already completed - Two days training on supervision held in the SC the beginning of March. BEP did a small-scale review of the SC to assess its capacity to implement the new law.
Objective 3: Improve GoS access to finance through development of a long-term, liquid public debt market				
1. Assistance to identify and develop the key regulatory criteria for developing a government debt market	Assessment of institutional investor needs and demand-side constraints to achieving a more diversified issuance of government debt. Technical assistance priorities on the supply-side will fall under the support to PDA by Component 2. However, Component 3 will provide technical support on the demand side.	September - November	Baseline assessment of the institutional investors needs	Ongoing. The BEP and Economic Institute schedule roundtable debate devoted to government bonds from the demand side perspective for November. In addition to that, BEP is organizing panel discussion at Belgrade Stock Exchange annual conference dedicated to debate the main impediments to further development of government securities.
Objective 4: Strengthen public-private dialogue on the financial sector and its role in economic development				
1. Facilitation of	Outreach campaign to stimulate public-private dialogue on how to strengthen the	Ongoing	Media materials;	Ongoing. Currently working on

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
increased debate and analysis of the financial sector	contribution of the financial sector to economic growth. (This campaign would also emphasize reforms to improve capital formation and national savings that would follow from the savings study).		journalist training; roundtable conclusions	<p>public outreach for access to finance for SMEs, including webpage, work with journalists and bloggers. In addition to that, BEP will start public outreach on demand-side constraints to achieve a more diversified issuance of government debt.</p> <p>Already completed - BEP organized high-level conference with the SC in April. BEP contributed to the panel "New Financial Serbian Architecture for Stimulating the Real Sector" on Vivaldi Forum in May. Additional materials, policy notes, researches, etc. are regularly published on www.policycafe.rs.</p>
2. Facilitation of increased debate of access to finance	Outreach campaign to stimulate public-private dialogue on access to finance.	Ongoing	Media materials; Roundtables conclusions	<p>Ongoing. BEP is working with the grantee to develop details of the outreach campaign. Two events related to access to finance are scheduled for October, one being announced at the European Commission officially Enterprise and Industry webpage, under the European SME week (ec.europa.eu/enterprise).</p> <p>In additions, materials, policy notes, researches, etc. related to access to finance are regularly</p>

Component 3: Financial Market Development				
Task	Activities	Activity Period	Documentary Deliverables	Status
				published on www.policycafe.rs . BEP is working on setting a separate web page on access to finance for SMEs.
Objective 5: Strengthen disclosure and transparency supporting new investment by assisting the GoS to implement required accounting, audit and disclosure standards				
1. Improve the quality, timeliness, and access of company information	Assistance with the implementation of disclosure regulations that were drafted and adopted with USAID BEP help in Year 1. This will include some assistance to establish an Official Register of Information to make disclosure more efficient.	April - October	Report on disclosure and Official Register of Information	<p>Ongoing. Finalizing the work on Request for Proposal for the SC IT system that will allow full implementation of disclosure regulations.</p> <p>Already completed - Assessment of the technical capacities and procedures of the SC to establish an Official Register of Information and implement new regulations. Action plan to establish an Official Register of Information and implement new regulations throughout new IT system and procedures.</p>
Objective 6: Improving access to finance for small and medium enterprises and entrepreneurs				
1. Improving the enabling environment for SME access to finance	Finalize the access to finance market assessment, develop viable recommendations for comprehensive improvements, and communicate the findings to key government stakeholders	January - March	White paper Media materials	<p>Ongoing. Finalizing White Paper on Access to Finance for SMEs, that will include all findings and recommendations for improving access to finance.</p> <p>Already completed – BEP organized special roundtable focused on access to finance for women in business in May. Before</p>

Component 3: Financial Market Development

Task	Activities	Activity Period	Documentary Deliverables	Status
				that, BEP conducted 6 roundtables in different regions of Serbia. BEP finished numerous researches on access to finance, annual business survey on access to finance with more than 900 firms, in-house research on donors' credit lines and state funds, banking regulations, valuation of collateral, etc.
	Assist relevant ministries in developing an action plans for improving access to finance based on the findings of USAID BEP's market assessment.	April - December	Advisory notes Draft action plan	Activity scheduled after the White Paper is published.
	Technical assistance for implementing action plan and recommendations based on the findings of USAID BEP's market assessment and accepted by the new government.	May - December	Advisory notes	Activity scheduled after the White Paper is published.
	Assistance to help business associations improve outreach and public-private dialogue on access to finance issues.	July - December	Media publications Roundtable conclusions and recommendations	Activity scheduled after the White Paper is published.
	Assist the MoERD in developing a framework for data collection and analysis on SME finance.	March - December	Report on developed framework for data collection	Activity scheduled after the White Paper is published.
	Advocacy and outreach campaign to promote the development of a proper legal framework for NBF credit institutions.	August - December	Presentations advocacy PR activities media materials	Activity scheduled after the White Paper is published.
		March - December	Advisory notes Legal drafts	Ongoing. Currently supporting the MoFE to prepare all necessary

Component 3: Financial Market Development

Task	Activities	Activity Period	Documentary Deliverables	Status
	Support to the NBS and MoF on the development of legislation supporting access to finance		Outlines of bylaws drafted	<p>supporting documents and reports needed, in order to adopt the Factoring Law.</p> <p>BEP works with the NBS on improving appraising of collateral, as an important factor in access to finance.</p> <p>Already completed – In May BEP and MoF organized very efficient and successful public discussion on the Factoring Law. BEP organized roundtable for more than 40 stakeholders, including Factors Chain International. BEP participated and supported two more roundtables on the Factoring Law, one with the factoring industry the other with the users of factoring. The final draft of the Factoring Law is prepared and is in the formal process of adopting.</p>

Communications and Outreach Activities			
Outreach on access to finance	January to December 2012	Presentations advocacy PR activities media materials	<p>Ongoing. BEP is working with the grantee to develop details of the outreach campaign, brief the journalist and bloggers, set up a webpage, etc.</p> <p>Already completed – PR activities related to the factoring law access to finance roundtables, especially access to finance for women in business attracted huge media attention. Relevant materials are constantly uploaded on www.policycafe.rs.</p>
Outreach on capital markets	January to December 2012	Presentations advocacy PR activities media materials	<p>Ongoing. BEP will be involved in BSE annual conference. Relevant materials are constantly uploaded on www.policycafe.rs.</p> <p>Already completed - The conference with the SC on April 11, 2012.</p>
Outreach on commodities exchanges	January to December 2012	Presentations advocacy PR activities media materials	Activity scheduled after the draft law goes for the public discussion.

ATTACHMENT 4: PROGRESS VERSUS PERFORMANCE MONITORING PLAN

Project Results / Objectives	Indicators	Measurement Unit	Data Collection Method	Schedule of Collection	Baseline	Targets Years 1-5	Status Q3
Mission Assistance Objective: Create A More Competitive Market Economy							
IR 1.1: Business Enabling Environment Improved	Decrease in the "Burden of Government Regulations" addressing Government Inefficiency	Numeric Value	WEF GCI Reports	Annual	2011: 2.34	Yr 1: 2.34 Yr 2: 2.34 Yr 3: 2.44 Yr 4: 2.57 Yr 5 : 2.71	2.4 by the new WEF GCI published in September 2012
Sub-IR 1.1.1: More Effective Business Regulation	Decrease in costs for businesses to comply with regulatory framework	Numeric Value	Standard Cost Modeling (SCM)	Annual	2011 Total Administrative Cost: RSD 124.6 billion (4.2% of GDP)	Yr3: Total Administrative cost decreased by RSD 4 billion plus inflation (3.2% reduction) Yr5: Total Administrative burden decreased cumulatively by RSD 10 billion plus inflation (8% reduction plus inflation)	None. New data due with a new SCM. Scheduled for year 3.
IR 1.4: Macroeconomic Environment Improved	Increase in Foreign Direct Investment	Numeric Value	National Bank of Serbia (NBS)	Annual	2010: 3.07% GDP	Yr1: FDI at 3.3% of GDP Yr2: FDI at 3.3% of GDP Yr3: FDI at 4% of GDP Yr4: FDI at 5% of GDP Yr 5: FDI at 6% of GDP	Net FDI / GDP for 2011 = 5.8% MoFE Bilten, March 2012

Sub-IR 1.4.1: Improved Fiscal Policy	Improvements in the Open Budget Index ("OBI") Score as reported by the International Budget Partnership	Numeric Value	OBI Survey	Bi-Annual	2010: 54	Yr 1: N/A Yr 2: N/A Yr 3: OBI score 54 Yr 4: N/A Yr 5: OBI score 57	None. Next OBI Survey results should be published in October 2012, but didn't come out yet.
	Improved Government Budget Balance as percentage of GDP	Numeric Value	MoF	Annual	2010: -4.4 % (actual fiscal deficit)	Yr1: -4.5% of GDP Yr2: -4.5% of GDP Yr3: -3.5% of GDP ¹ Yr4: -1.9% of GDP Yr5: -1.0 % of GDP	By Macro Fiscal Dept. the actual 2011 Fiscal Deficit is at 5.0% of GDP (instead of first original 4.4% and second revised 4.7%); 2012 deficit is -6.7% of GDP
Sub-IR 1.4.2: Financial Markets Developed	Improved score in WEF GCI "Financial Market Development" (formerly 'Sophistication') The VIII WEF GCI Pillar	Numeric Value	WEF GCI reports	Annual	2011: 3.74	Yr1: 3.74 Yr2: 3.80 Yr3: 3.84 Yr4: 3.88 Yr5: 3.92	3.7 by the new WEF GCI published in September 2012
	Credit to private sector as a percentage of GDP	Numeric Value	National Bank of Serbia (NBS)	Annual	2010: 40%	Yr 5: 60%	2011: 43.7 %
	Number of person hours of training of journalists from publications that cover business	Numeric Value	Project Report	Annual	N/A	Yr 1: 400 Yr.2: 800 Yr 3: 800 Yr 4: 800 Yr 5: 400	Q1=400; Q2=520 Q3=40 ----- 960

¹ Projected deficits by Fiscal council for 2013, 2014, 2015

Component 1: Business Regulation and Economic Governance Improved							
1. Improve and streamline business regulation lowering the costs to businesses and government from business regulations	Number of commercial laws and regulations simplified and implemented in accordance with international standards as a result of USG assistance	Numeric Value	Project Reports	Annual	2011: 3	2011: 3 2012: 10 2013: 10 2014: 10 2015: 10 2016: 3 ²	Q1=6 Q2=14 Q3=21 ----- 41
	Average time spent by management on working with inspections	Numeric Value	Business Survey ³	Annual	59 hours	Yr. 2: 58 Yr. 3: 55 Yr. 4: 50 Yr. 5: 45	Yr2: 34 hours
	Number of Professional Enforcement Officers trained, passed the exam, and ready to get appointed	Numeric Value	MoJ Data	Annual	N/A	Yr 2: 300	Q1=0 Q2=75 Q3=0 Next exam scheduled for October 2012
	Number of days to enforce a judgment	Numeric Value	World Bank Doing Business Report	Annual	2011: 635	Yr 3: 530 Yr 4: 475 Yr 5: 417	None. New data to be available with WB DB Report in November 2012.
	Number of days dealing with constructions permits	Numeric Value	World Bank Doing Business Report	Annual	2011: 279	Yr 5: 220	None. New data to be available with WB DB Report in November 2012.

² Project will end 3 months into the 2016 fiscal year.

³ This refers to the annual USAID BEP Survey of Serbian Businesses.

	Business perception of the burden of laws and regulations improves	Qualitative	Business Survey	Annual	2011: 17% agree that there was improvement	Yr. 2: 18% Yr. 3: 20% Yr. 4: 24% Yr. 5: 28%	Yr2: 26% agree that there was improvement
	Significant progress of realization of new labor legislation recommended by the 2011 White Book by the Foreign Investors Council in Serbia	Qualitative	Foreign Investors Council in Serbia	Annual	N/A	Yr.2: 1 Yr 3: 2 Yr.4: 6 Yr 5: 6	None. 2012 White Book is pending.
	Decrease in percentage of businesses responding that labor law has negative impact on business	Qualitative	Business Survey	Annual	2011: 75%	Yr. 3: 65% Yr. 5: 55%	Yr2: 66%
2.Business effectively partners with Government in developing and implementing regulatory reforms	Increase in business sector participation on laws improving regulatory environment	Qualitative	Business Survey	Annual	2011: 19% of businesses agree that there was improvement	Yr 2 : 21% Yr. 3: 25% Yr. 4: 28% Yr. 5: 32%	Yr2: 25%
	Number of public private dialogue mechanisms/ events on business regulation issues created by the	Numeric Value	Project Reports	Annual	N/A	Yr1: 3 Yr2: 5 Yr3: 5 Yr4: 5 Yr5: 2	Q1=2 Q2=7 Q3=2 ----- 11

	project						
3. Improve and support the regulatory review process and RIA process	Number of substantial RIAs conducted by GoS	Numeric Value	Project Reports/ Office of Regulatory Reform Reports	Quarterly	2010: 8	Yr 1: 10 Yr 2: 15 Yr 3: 20 Yr 4: 25 Yr 5: 30	Q1=11 Q2=1 Q3=0 ----- 12
	Business perception of transparency and predictability increases	Qualitative	Business Survey	Annual	2010: 23% agree that transparency and predictability increased	Yr. 2: 25% Yr. 3: 28% Yr. 4: 32% Yr. 5: 35%	Yr2: 23.5%
5. Improve corporate governance standards, policies and regulations	Improvement in Doing Business Strength of Investor protection Index	Qualitative	World Bank Doing Business	Annual	2011: 5.3	2012: 5.3; 2013: 6; 2014: 6.5; 2015: 7	None. New data to be available with WB DB Report in November 2012.
	Number of Commercial Court judges trained in implementation of the Company Law	Numeric Value	Project Reports	Quarterly	N/A	Yr 1: 20	Q1=0 Q2=31 Q3=13 ----- 44
6. Create enabling environment for PPPs	Number of training hours of representatives of public sector entities and private companies trained in PPP	Numeric Value	Project Reports	Annual	N/A	Yr.2.: 200 Yr 3.: 200	Q1=0 Q2=332.5 Q3=0 For Q2 we have an update 332.5 is the number of person hours instead 95 persons reported in last quarter (we didn't have information on time provided by SLD)

	Completion of regulatory framework (bylaws and methodologies) for PPP	Qualitative	Project records	Annual	Nonexistence of complete normative framework (bylaws and methodologies) for PPP	Yr2.: 0 Yr..3: Complete normative framework (bylaws and methodologies) for PPP (specifically 1-Methodological materials in the field of public-private partnerships and concessions; 2-Bylaw on public contracts registry; 3-Bylaw on Supervision over Implementation of Public Contracts	0
Component 2: Macroeconomic Policy and Public Financial Management Enhanced							
1. Improve GoS budgeting, fiscal policy analysis, and financial management efficiency	Improvement in the quality of Medium Term Budgeting and Prioritization	Qualitative	Project Reports	Annual	No effective budgeting framework is in place	Yr 1: Fiscal Strategy Report (FSR) contains estimates of potential GDP Yr2: FSR contains estimates of structural deficit Yr3: FSR contains estimates on tax expenditures Yr 4: Budgets among ministries better reflect their strategic priorities.	According to the Budget Calendar FSR will be created and adopted in Autumn 2012.
	PEFA Multi- Year Score perspective in fiscal planning , expenditure policy and budgeting	Qualitative	PEFA Assessment (due Nov 2013)	Annual/ Results published every 3 years	2010: Scored C	Yr 5: Score B	The 2013 PEFA Assessment scheduled for November 2013.
	PEFA Assessment Score on predictability in the availability of funds for government expenditures	Qualitative	PEFA Assessment (due Nov 2013)	Annual/ Results published every 3 years	2010: Scored C+	Yr 5: Score B	The 2013 PEFA Assessment scheduled for November 2013.
	Number of articles published in the area of fiscal policy	Numeric Value	Project Report	Monthly	N/A	Yr 1: 2 Yr 2: 3 Yr 3: 3	Q1=1 Q2=0 Q3=2 (FREN's "Reform of quasi-fiscal

	containing research and analysis provided through BEP assistance that support changes in fiscal policy					Yr 4: 2 Yr 5: 2	charges system for improving business conditions in Serbia” and “Fiscal Consolidation Measures 2012-2016”) ----- 3
	Number of activities related to macroeconomic and fiscal issues aimed at improving public-private dialogue ⁴	Numeric Value	Project Report	Annual	N/A	Yr 1: 2 Yr 2: 3 Yr 3: 4 Yr 4: 4 Yr 5: 3	Q1=1 Q2 =2 Q3=0 ----- 3
2. Improve public debt management and conditions for Government financing	Value of dinar denominated debt	Numeric Value	PDA (Public Debt Administration)	Annual	2010: Value of dinar debt is 14% of total borrowing	Yr 5: Proportion of borrowing increases to 20%	Yr1: 14% Yr2: 17% (this is only for end of August 2012; it is not the end of year value)
	Government initiates a public issue of debt to more diversified investor base	Qualitative	PDA (Public Debt Administration) ad hoc report	Annual	Baseline end of March 2011 according to PDA: Banks own 87,1% on 31.03.2011	Yr 5: Banks own 75% or less of government debt in dinars	August 2012: Banks own 80.6% of debt (8/31/12)
	Operational status of debt management system and number of reports developed to	Numeric Value	PDA (Public Debt Administration) ad hoc report	Annual	N/A	Yr 1: 0 reports (system not functional); Yr 2: 2 reports(system operational); Yr 3: 6 reports; Yr 4: 8 reports;	Waiting for update from PDA

⁴ The new indicator “Number of activities related to macroeconomic and fiscal issues aimed at improving public-private dialogue” replaces the indicator “Quality of public dialogue and debate on macroeconomic and fiscal issues.” The new indicator is a more objective and attributable measurement of the project’s work to achieve this Objective.

	manage debt risks and strategy					Yr 5: 10 reports.	
	Proportion of key PDA staff trained in debt management, economic and risk analysis	Numeric Value	Project records	Annual	N/A	Yr 1: 10% Yr 3: 50% Yr 5: 75%	None for this quarter. Note: all trainings in 2012 have taken place in Q2. Some trainings are planned for December 2012. 35%. Up to now.
3. Improve macroeconomic policy and strategy	Improvements in WEF GCI on "Macroeconomic Environment" addressing Nation's Savings Rate, as % of GDP	Numeric value	WEF GCI reports	Annual	2011: 14.8	Yr 5: 18	16.1 by the new WEF GCI published in September 2012
	Number of published studies and articles containing research and analysis provided through BEP assistance that support changes in macroeconomic policy	Numeric Value	Project Report	Annual	N/A	Yr1: 2 Yr2: 5 Yr3: 8 Yr4: 8 Yr5: 6	Q1=1 Q2=0 Q3=0 ----- 1
	Awareness of Government's Economic Growth Strategy	Qualitative	Business Survey	Annual	2011: 20% of businesses agreed that they have some awareness and understanding of the strategy	Yr. 2: 20% Yr. 3: 25% Yr. 4: 30% Yr. 5: 35%	Yr2: 38%
	Number of person hours of training of	Numeric Value	Project Reports	Annual	N/A	Yr1: 500 Yr2: 1000	Q1=524 Q2=2245

	GoS staff on macroeconomic policy and public financial management topics					Yr3: 1000 Yr4: 750 Yr5: 300	Q3=50 ----- 2819
Component 3: Increased Financial Market Development							
1. Increase capital available to business through the creation of a regulatory framework for NBFIs	Value of credit financed from NBFIs to businesses increases	Numeric	NBS Publications, Stock Market, and Securities Commission Reports	Annual	N/A Or TBD/calculated by C3	Yr.1: 0 Yr.2: 0 Yr.3: 5% Yr.4: 10% Yr.5: 10%	0
	Status of the legal and market framework for a commodities exchange	Qualitative	Project Report/MoF Report	Annual	Regulatory framework currently not in place	Yr 2: Commodities exchange law and regulatory framework established Yr 3 : Establishment of the commodities exchange	The first draft of the Commodity Exchange Law is developed. MoT took over the effort to set up new regulation. The Ministry is in a process of establishing formal working group to finalize the law.
	Number of intermediaries trained and advised about upcoming securities laws	Quantitative	Securities Commission and Project Report	Annual	Majority of intermediaries trained and advised	Yr 1 to Yr 4: Will depend on the speed of implementation of new law and agreement with Securities Commission and MoF Yr5: 75% of intermediaries trained and advised on changes and benefits brought by new securities laws	Total (Y1+Q1+Q2)= <u>417</u>

2.Strengthen integrity of the capital markets by helping the GoS to build capacity to ensure equity issuers and brokers comply with securities laws	Value of dinar denominated debt	Numeric Value	Statistics Office	Annual	2010: Value of dinar debt is 14% of total borrowing	Yr 5: Proportion of borrowing increases to 20%	Yr 1: 14%
3. Improve the GoS' access to finance through the development of long term, liquid debt public market	Government initiates a public issue of debt to more diversified investor base	Qualitative	PDA (Public Debt Administration) ad hoc report	Annual	Baseline end of March 2011: Banks own 87,1% of debt (3/31/11)	Yr 5: Banks own 75% or less of government debt in dinars	August 2012: 80.6%.
	Increased awareness of the role of the financial sector in economic development	Qualitative	Business Survey)	Annual	Around 25% of businesses expressed a sort of an agreement that there is awareness	Yr 5: 50% increase in awareness	Yr2: 83.9 %
4. Strengthened public-private dialogue on the financial sector and its role in economic development	Compliance with IOSCO standards in areas of securities intermediaries and equity issuance improves	Qualitative/ Numeric Value	Project and IOSCO Reports	Bi-Annual	50%	Yr 5: Compliance improves to 60% or better	New Capital Market Law Regulations is expected to raise compliance level above 60%. Next IOSCO assessment TBD.

5. Strengthen the disclosure and transparency supporting new investment by assisting the GoS to implement required accounting, audit and disclosure standards	Improved access to finance	Qualitative	Business Survey	Annual	2011: 25% of businesses agree that access to finance has improved	Yr. 3: 30% Yr. 5: 35%	Yr2: 23.2%
6. Improved access to finance for SMEs	Increase in average value of loan size and borrowing by SME's ⁵	Qualitative/ numeric	Project Survey (USAID BEP Business Survey)	Annual	2011: 9500 EUR	Yr.2.: 0 % points increase from baseline Yr.3.: 10 % point increase Yr.4.: 15 % point increase Yr.5.: 20 % point increase	2012 Q 114 was answered by 386 enterprises, or 327 SEMs; Average for SMEs for this year is 57 927 EUR 2011 Q101 was answered by 315, or 267 SMEs ; Average for SMEs for last year was 89 475 EUR

ATTACHMENT 5: BEP GRANTS UPDATE

1-October-12

BEP GRANTS UPDATE

Solicitation	Date of Issue	Project	Grantee	Amount USD	Amount RSD	Status
unsolicited proposal		Quarterly Monitor 24	FREN - Foundation for the Advancement of Economics	28,417	2,099,993	paid
unsolicited proposal		Business Leaders' Summit	SAM - Serbian Association of Managers	-	-	rejected
TOTAL				28,417	2,099,993	
RFA		Project	Grantee	Amount USD	Amount RSD	Status
RFA-2011-01	15-Jun-11	Business Survey	CeSID - Center for Free Elections and Democracy	18,502	1,401,600	paid
RFA-2011-01		Business Survey	GfK Belgrade	-	-	rejected
RFA-2011-01		Business Survey	Cromer Group	-	-	rejected
			NALED - National Alliance for Local Economic Development			
RFA-2011-02	15-Jul-11	Quasi Fiscal Charges		18,000	1,400,000	paid
RFA-2011-02		Quasi Fiscal Charges	BDO Business Advisory	-	-	rejected
			FREN - Foundation for the Advancement of Economics			
RFA-2011-03	25-Jul-11	Econometric Assistance		36,300	2,828,300	paid

RFA-2011-04	20-Sep-11	Construction Permits	MP and Associates	20,700	1,614,000	paid
RFA-2011-04		Construction Permits	ACES - Association of Consulting Engineers of Serbia	-	-	rejected
RFA-2011-04		Construction Permits	City of Novi Sad	-	-	rejected
RFA-2011-04		Construction Permits	EC Harris d.o.o	-	-	rejected
RFA-2011-05	30-Sep-11	Journalist Education	CLDS - Center for Liberal Democratic Studies	15,000	1,175,000	contracted
RFA-2011-05		Journalist Education	BIG - Business Info Group d.o.o.	-	-	rejected
RFA-2011-05		Journalist Education	BIRN - Balkan Investigative Network in Serbia	-	-	rejected
RFA-2011-06	5-Oct-11	Private Domestic Savings	CLDS - Center for Liberal Democratic Studies	-	-	withdrawn
RFA-2011-07	12-Dec-11	Training of Judges on Company Law	Balkan Center for Regulatory Reform (BCRR)	21,000	1,675,000	paid (modification 1)
RFA-2011-06-R	27-Dec-11	Private Domestic Savings	-	23,000	1,850,000	No applications were submitted
RFA-2011-06-R2	16-Jan-12	Private Domestic Savings	Foundation for the Advancement of Economics (FREN)	-	-	rejected
RFA-2011-06-R2	16-Jan-12	Private Domestic Savings	BDO Business Advisory LLC	-	-	rejected
RFA-2011-06-R2	16-Jan-12	Private Domestic Savings	CLDS - Center for Liberal Democratic Studies	22,230	1,840,000	contracted
RFA-2011-01-F	Follow-on	Business Survey	CeSID - Center for	4,513	370,000	paid

		Follow-up Data Analysis	Free Elections and Democracy			
RFA-2012-01	14-Feb-12	Organization of the Forum on Capital Market in Serbia	Beolmpigra, Ltd.	-	-	rejected
RFA-2012-01	14-Feb-12	Organization of the Forum on Capital Market in Serbia	AVENTo d.o.o	-	-	rejected
RFA-2012-01	14-Feb-12	Organization of the Forum on Capital Market in Serbia	EDGE Ltd. Belgrade	-	-	rejected
RFA-2012-01	14-Feb-12	Organization of the Forum on Capital Market in Serbia	BLUEWATERS YU d.o.o.	-	-	rejected
RFA-2012-01	14-Feb-12	Organization of the Forum on Capital Market in Serbia	Represent Communications	-	-	rejected
RFA-2012-01	14-Feb-12	Organization of the Forum on Capital Market in Serbia	Chapter 4 Communications Consulting	19,980	1,697,180	paid
RFA-2012-02	28-March-12	Study and recommendations on policies to increase employment and workforce competitiveness	Center for Liberal – Democratic Studies	-	-	contracted

RFA-2012-02	28-March-12	Study and recommendations on policies to increase employment and workforce competitiveness	Faculty of Economics, Finance and Administration, Singidunum University (FEFA)	-	-	rejected
RFA-2012-02	28-March-12	Study and recommendations on policies to increase employment and workforce competitiveness	Joksovic, Stojanovic & Partners Law Office	-	-	rejected
RFA-2012-02	28-March-12	Study and recommendations on policies to increase employment and workforce competitiveness	Foundation for the Advancement of Economics (FREN)	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach Campaign	Bluewaters YU LLC	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach	Kovacic&Spaic	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing	Represent Communications		84,342	contracted

		PR/Outreach				
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach	Chapter 4 Communications Consulting	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach	Executive Group d.o.o. Beograd	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach	Conference Republic d.o.o.	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach	Cromer Group Ltd.	-	-	rejected
RFA-2012-03	18-Apr-12	Project of Creating and Executing PR/Outreach	MC 2 Public Affairs (Milosevic Creative Communications)	-	-	rejected
RFA-2012-04	26-Apr-12	Strengthening Regulation, Management, and Effectiveness of State Aid in Economic Sphere	BDO Business Advisory LLC	4,600,000	47,998	contracted
RFA-2012-04	26-Apr-12	Strengthening Regulation, Management, and	CLDS	-	-	rejected

		Effectiveness of State Aid in Economic Sphere				
RFA-2012-05	11-May-12	Economic Policy Measures to Combat Shadow Economy and its Effects on Total Economic Growth in Serbia	BDO Business Advisory LLC	-	-	rejected
RFA-2012-05	11-May-12	Economic Policy Measures to Combat Shadow Economy and its Effects on Total Economic Growth in Serbia	Foundation for the Advancement of Economics (FREN)		79,830	contracted
SSS-2012-01	6-Jul-12	2012 Business Survey in Serbia	CESID d.o.o.		25,825	contracted
RFA-2011-04-F/2012	3-Aug-12	Assessment of Constraints to Construction Permits in Serbia - follow on	MP and Associates		16,850	contracted
RFA-2012-06	4 September 2012	Internships in National Governmental Institutions in RS			Up to 90,000 USD	Open until October 4, 2012

EXPRESSION OF INTEREST TITLE	APPLICANT	Amount RSD	Amount USD	Status	GSC Meeting
Economic Growth Model	Center for Liberal-Democratic Studies (CLDS)	0	0	Rejected	
Commodity Exchange at Agricultural Forum - Food for Europe	Economics Institute	389,640	5,000	PAID	9/26/2011
Economics Training for Students of Journalism	Association CIVILNET	0	0	Rejected	9/26/2011
Guide for preparation of the Plan of Reorganization (PR) in accordance with Bankruptcy Law	BDO Business Advisory	0	0	Rejected	9/26/2011
Guide for the preparation of the Prepackaged Plan of Reorganization (PPR) in accordance with Bankruptcy Law	BDO Business Advisory	0	0	Rejected	9/26/2011
Development of Corporate Bonds Market in Serbia	Chamber of Commerce and Industry of Serbia	0	0	Rejected	9/26/2011
Fiscal Rules as a Fiscal Responsibility Tool	Center for Liberal-Democratic Studies (CLDS)	0	0	Withdrawn	9/26/2011
MAT for Better Business Conditions	Economics Institute	810,600	10,300	PAID	11/4/2011
Belgrade Stock Exchange 10th International Conference	Belgrade Stock Exchange	300,000	3,800	PAID	11/4/2011
Public Administration Training to improve administrative capacity	Singidunum University - Faculty of Economics, Finance and Administration (FEFA)	0	0	Rejected	11/4/2011
Adjusting the Codex of Corporate Management of the SCCI with the new Company Law	Chamber of Commerce and Industry of Serbia	950,000	12,100	PAID	11/4/2011
Annual Seminar - Economic Potentials and Business Development Prospects	Belgrade Fund for Political Excellence (BFPE)	1,000,000	12,700	PAID	11/4/2011
Alumni Seminar - Improving Conditions for Doing Business in Serbia	Belgrade Fund for Political Excellence (BFPE)	1,100,000	14,000	PAID	11/4/2011
Including Serbia into the World Competitiveness Yearbook	Institute of Economic Sciences	0	0	Rejected	11/4/2011
Quarterly Monitor: Macroeconomic and Business Climate	Foundation for the	3,066,000	39,000	PAID	12/8/2011

Issues of Serbian Economy	Advancement of Economics (FREN)				
Improving Competitiveness of Trade Companies	Serbian Association of Employers	0	0	Rejected	11/29/2011
Managers' Hours	Serbian Association of Managers	1,297,280	16,300	PAID	12/8/2011
Enforcement of the Law on Capital Markets	Center For Advanced Economic Studies	0	0	Rejected	12/8/2011
Export-Oriented Recovery	Center For Advanced Economic Studies	0	0	Rejected	1/12/2012
Practice of Corporate Finance in Serbia	Chamber of Commerce and Industry of Serbia	0	0	Rejected	12/8/2011
Reform of Financial System and Protection of Intellectual Property Rights in Serbia	ACADEMICA Center for Creative Economy Research	0	0	Rejected	1/12/2012
Supermarket	CEFE Serbia	0	0	Rejected	12/8/2011
Strengthening Communications Skills Training	Represent Communications	0	0	Rejected	12/8/2011
Towards business-friendly environment for development of creative industries in Serbia	Serbian Financial and Business Consultants (SFBC)	0	0	Rejected	1/12/2012
Policy Advocacy Activities	Association of Management Consultants of Serbia	0	0	Rejected	12/8/2011
Grey Book of Doing Business in Pancevo	City of Pancevo Economic Development Agency	0	0	Rejected	12/8/2011
Macroeconomic Analyses and Trends (MAT) - for Better Business Conditions (eight issues)	Economics Institute	2,400,000	28,015	Rejected	4/24/12
Round tables "For better Business Conditions"	Economics Institute	3,000,000	35,000	Contracted (changed topics)	4/24/12
Practice of Corporate Finance in Serbia	Chamber of Commerce and Industry of Serbia	0	0	rejected	4/24/12

Citizens' Budget Guide	BIRN	2,420,000	28,131	contracted	4/24/12
"Quarterly Monitor: Institutional Challenges to Boosting Employment, Growth and Public Sector Efficiency in Serbia"	Foundation for the Advancement of Economics (FREN)	2,900,000	33,971	contracted (Modification 1)	4/24/12
Benchmarking 2016 – Comprehensive Monitoring of Doing Business Environment in the Republic of Serbia	NALED - National Alliance for Local Economic Development	5,422,950	63,525	Contracted (Modification 1)	4/24/12
Ask When! - Advocacy Campaign for Improving of Doing Business Environment in the Republic of Serbia	NALED - National Alliance for Local Economic Development	2,328,500	24,998	Contracted (Modification 1)	5/29/12
Steinberg Capital&Publishing&Production ltd	Grant for development of Financial Markets	0	0	rejected	4/24/12
Government - Business Dialogue	Bluewaters YU LLC	0	0	rejected	5/18/12
Developing Methodology for Improving Local Incentives to Support Local Economic Development and Improvement of Business Environment in Serbia	RARIS - Regional Development Agency Eastern Serbia	0	0	rejected	5/18/12
Internet Radio Station	The First Entrepreneur Association	0	0	rejected	6/14/12
Press Retreat and Financial Market Workshop	Chapter 4 Communications Consulting	0	0	rejected	6/29/12
Accelerated Development of the Leasing Industry in Serbia	Association of Leasing Companies "ALCS" Belgrade	3,000,000	32,545	rejected	6/29/12
Municipal bonds – A way to a sustainable local economic development	Bluewaters YU LLC	2,300,000	23,782	rejected	9/13/2012

Conference 100 Days of Government	American Chamber of Commerce in Serbia	1,812,500	19,215	rejected	9/13/2012
Conference: Improving Conditions for Doing Business in Serbia	Belgrade Fund for Political Excellence	1,627,460	18,000	rejected	9/13/2012
Strengthening the Voice of Managers	Serbian Association of Managers	2,375,000	25,986	rejected	9/13/2012
Development of regulatory frameworks and mechanisms of alternative financing for SMEs in Serbia	EDGE Ltd Beograd	2,000,000	21,886	rejected	9/13/2012
Innovated model banking services to Serbian legal entities and agriculture during process of society transition, sanitation of banking and finance sector and state recover after last world wide economy crises (2013-2025).	MEJA LTD, BELGRADE	3,000,000	33,700	pending	To be held on 10/11/2012
Annual Seminar (Module 2): Economic Potentials and Business Development Prospects in Serbia by 2020	Belgrade Fund for Political Excellence		24,500	pending	To be held on 10/11/2012
Improving competitiveness of Serbian economy through development of the system of Institutional Financial Restructuring (IFR Project)	Chamber of Commerce	2,535,075	28,233	pending	To be held on 10/11/2012

FINANCIAL STATUS OF CONTRACTED GRANTS

RFAs 2011 and 2012

			RSD	USD	Status
Foundation for the Advancement of Economics - FREN	Quarterly Monitor 24	unsolicited proposal	2,099,993	28,417	Paid
CeSID	Business Survey	RFA-2011-01	1,401,600	18,502	Paid
CeSID	Business Survey Follow-up Data Analysis	RFA-2011-01-F	370,000	4,513	Paid
National Alliance for Local Economic Development - NALED	Assessment of Impact of Quasi-Fiscal Charges on Businesses in Serbia	RFA-2011-02	1,400,000	19,197	Paid
Foundation for the Advancement of Economics - FREN	Econometric Assistance	RFA-2011-03	2,828,300	37,870	Paid
MP and Associates	Assessment of Constraints to Construction Permits in Serbia	RFA-2011-04	1,614,000	20,550	Paid
Center for Liberal-Democratic Studies - CLDS	Project on Journalist Education on Economic and Business Environment Reforms	RFA-2011-05	1,175,000	14,290	3/4 paid
Balkan Center for Regulatory Reform - BCRR	For Training of Commercial Court Judges on Implementation of the New Company Law	RFA-2011-07	1,675,000	20,630	Paid
Center for Liberal-Democratic Studies - CLDS	Study on Private Domestic Savings	RFA-2011-06-R2	1,840,000	22,230	2/3 paid
Chapter 4 Communications Consulting	Organization of Capital Market Forum in Serbia	RFA-2012-01	1,697,180	19,980	Paid
Center for Liberal Democratic Studies	Policies to Increase Employment and Workforce Competitiveness	RFA-2012-02	2,987,000	34,052	2/4

Represent Communications	PR/Outreach Campaign	RFA-2012-03		84,342	1/4 paid
BDO	Strengthening Regulation, Management, and Effectiveness of State Aid in Economic Sphere	RFA-2012-04	4,600,000	47,998	contracted
Foundation for the Advancement of Economics (FREN)	Economic Policy Measures to Combat Shadow Economy and its Effects on Total Economic Growth in Serbia	RFA-2012-05		79,830	Contracted
CESID d.o.o.	2012 Business Survey in Serbia	SSS-2012--01		25,825	1/4
MP and Associates	Assessment of Constraints to Construction Permits in Serbia - follow on	RFA-2011-04-F/2012		16,850	1/4
Subtotal				495,076	